

90-258

No. _____

Supreme Court, U.S.

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IN THE
Supreme Court of the United States

OCTOBER TERM, 1990

WESLO, INC.,

Petitioner,

v.

DIVERSIFIED PRODUCTS CORP., and
BROWN, FITZPATRICK, LLOYD, LTD., *et al.*,
Respondents.

**PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

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QUESTION PRESENTED

Do the doctrines of claim and issue preclusion enunciated in *United States v. Utah Construction & Mining Co.*, 384 U.S. 394 (1966), and *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313 (1971), apply to a judicially affirmed finding of patent invalidity made by the U.S. International Trade Commission?

**LIST OF PARTIES WITH PARENT AND
SUBSIDIARY STATEMENT OF PETITIONER**

Pursuant to Supreme Court Rules 14.1(b) and 29.1, the parties to the proceedings below are:

a. The petitioner, WESLO, INC. of Logan, Utah, is a defendant below. The parent of WESLO, INC. is Weider Health & Fitness, Inc. of Los Angeles, California. WESLO, INC. does not have any non-wholly owned subsidiaries.

b. The respondents, DIVERSIFIED PRODUCTS CORP. of Opelika, Alabama and BROWNING FITZPATRICK LLOYD, LTD. of the United Kingdom are plaintiffs below.

c. Other respondents include the remaining defendants in the case below which was consolidated by the Judicial Panel on Multidistrict Litigation. The other defendants and respondents are: Rocket Industries, Inc.; Roadmaster, Inc.; Columbia Manufacturing Co.; Walton Manufacturing Co.; and Ajay Enterprises Corporation.

d. The following defendants below have been dismissed: Allegheny Exercise Equipment Company; Beacon Enterprises, Inc.; Billard Barbell Co.; and Saw Mill River Industries, Inc. Ajay Enterprises Corporation is also a plaintiff below in a consolidated declaratory judgment suit against DIVERSIFIED PRODUCTS CORP.

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OPINIONS BELOW

The court of appeals refused to hear the appeal by an Order attached as Appendix A. The court of appeals denied rehearing by an Order attached as Appendix B and reported at 903 F.2d 822. Under review was the opinion of the trial court published at 721 F. Supp. 596 (1989) (Appendix C) in support of its Order of August 31, 1989 (Appendix D) by which it denied a motion for summary judgment. The trial court certified its decision for immediate appeal both in the Order of August 31, 1989 and again in an Amended Order (Appendix E) supported by a Memorandum Opinion attached as Appendix F. An earlier, related opinion by the trial court appears at 616 F. Supp. 1134 (1985) and is attached as Appendix G.

JURISDICTION

The Order of the court of appeals refusing to hear the appeal was entered on April 4, 1990. App. A, 1a-2a. A timely petition for rehearing was denied on May 11, 1990. App. B, 3a-5a. Jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

STATUTES AND REGULATIONS INVOLVED

28 U.S.C. § 1338 (1982) provides in pertinent part:

(a) The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trade-marks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases.

19 U.S.C. § 1337 (1990) provides in pertinent part:

(a) Unlawful activities; covered industries; definitions

(1) Subject to paragraph (2), the following are unlawful, and when found by the Commission to exist shall be dealt with, in addition to any other provision of law, as provided in this section:

* * * *

(B) The importation in to the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consignee, of articles that—

(i) infringe a valid and enforceable United States patent or a valid and enforceable United States copyright registered under Title 17; or

(ii) are made, produced, processed, or mined under, or by means of, a process covered by the claims of a valid and enforceable United States patent.

- (C) The importation into the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consignee, of articles that infringe a valid and enforceable United States trademark registered under the Trademark Act of 1946.

* * *

(2) Subparagraphs (B) [and] (C) * * * of paragraph (1) apply only if an industry in the United States, relating to the articles protected by the patent, copyright, trademark or mask work concerned, exists or is in the process of being established.

* * *

(c) Determinations; review

The Commission shall determine, with respect to each investigation conducted by it under this section, whether or not there is a violation of this section, except that the Commission may, by issuing a consent order or on the basis of a settlement agreement, terminate such investigation, in whole or in part, without making such a determination. Each determination under subsection (d) or (e) of this section shall be made on the record after notice and opportunity for a hearing in conformity with provisions of subchapter II of chapter 5 of Title 5. All legal and equitable defenses may be presented in all cases. Any person adversely affected by a final determination of the Commission under subsection (d), (e), (f), or (g) of this section may appeal such determination, within 60 days after the determination becomes final, to the United States Court of Appeals for the Federal Circuit for review in accordance with chapter 7 of Title 5.

The entire text of 19 U.S.C. § 1337 (1990) is set out in Appendix J. The 1982 version of § 1337 was opera-

tive below, but is not reproduced because the 1990 amendments do not affect the issue here presented.

STATEMENT OF THE CASE

In October 1984, the respondents here, Diversified Products Corp. ("DP") and Brown Fitzpatrick Lloyd, Ltd. ("BFL"), filed a patent infringement action under 28 U.S.C. § 1338(a) against petitioner WESLO, INC. ("WESLO") in the United States District Court for the District of Utah. At the same time, DP and BFL filed nine other similar patent infringement suits in various United States district courts throughout the country. All the actions asserted infringement under 35 U.S.C. § 271 of U.S. Patent No. 4,477,071 (issued October 16, 1984) for a "Convertible Rowing Exercising Apparatus" ("the '071 patent"). The original cases and a declaratory judgment case involving the '071 patent were thereafter transferred to the United States District Court for the District of Delaware by the Judicial Panel on Multidistrict Litigation, and consolidated for pretrial proceedings.¹

On December 5, 1984—essentially simultaneously with the district court actions—DP filed a complaint with the United States International Trade Commission ("ITC") pursuant to 19 U.S.C. § 1337. The complaint named WESLO as a defendant and led to a formal

¹ The case below is styled IN RE CONVERTIBLE ROWING EXERCISER PATENT LITIGATION. The defendants below are Ajay Enterprises Corporation, Columbia Manufacturing Company, Roadmaster, Inc., Rocket Industries, Inc., Walton Manufacturing Company, and Weslo, Inc. In addition, other consolidated suits under the '071 patent have been dismissed against Allegheny International Exercise Company, Beacon Enterprises, Inc., Saw Mill River Industries, and Billard Barbell Company, because these parties have proceeded under the bankruptcy laws (11 U.S.C. § 101, et. seq.). Other later-filed suits involving related U.S. Patent 4,488,719 were also transferred and consolidated. However, all suits under U.S. Patent 4,488,719 now stand dismissed.

investigation by the ITC of DP's allegations that WESLO was committing acts of unfair trade practice in violation of § 1337 by importing goods which infringed the '071 patent. WESLO responded to the complaint by asserting, *inter alia*, that the '071 patent was invalid and not infringed.²

After extensive discovery and substantial pretrial activity,³ a ten-day trial was held commencing on August 12, 1985. At the trial, nearly 1,000 exhibits were offered along with testimony from over twenty (20) witnesses. The transcript exceeded 3,000 pages. In short, the issues were as fully litigated as if the parties had been in the district court.

At the conclusion of trial, the Administrative Law Judge ("ALJ") entered an Initial Determination ("ID") dated October 18, 1985, in which he found that the '071 patent was invalid as anticipated and obvious.⁴ The ID is 290 pages in length and includes a statement of the procedural history of the case, over six hundred findings of fact, as well as a 96-page opinion, conclusions of law and an order.⁵

DP petitioned to the full ITC for review of the ALJ's decision. The Commission reviewed the ID and reversed the ALJ's conclusion of anticipation, but sustained the ALJ on all other grounds. The pertinent Commission

² The petitioner WESLO was the only fully active defendant before the ITC. It vigorously defended and was the prevailing party.

³ For example, over 90 motions were filed and over 20 depositions were taken.

⁴ All other defenses raised by WESLO were disallowed so that the only basis for the ALJ's decision and the subsequent ITC decision (App. I, *infra*) was invalidity of the '071 patent.

⁵ In view of its size and to minimize printing costs, ten (10) copies of the ID have been lodged with the Clerk of the Court for use by the Court.

Action and Order is appended as Appendix H. As a result, the determination that WESLO had not violated § 1337 was upheld on the grounds that the '071 patent was obvious and therefore invalid.

DP thereafter appealed to the United States Court of Appeals for the Federal Circuit. After full briefing and oral argument, the Federal Circuit affirmed the ITC decision that the '071 patent is invalid in an unpublished opinion dated June 17, 1987, attached as Appendix I. DP subsequently filed a petition for rehearing and rehearing *en banc*. The petitions were denied without opinion.

While the ITC case proceeded, the consolidated cases in Delaware were stayed by stipulation. After losing in the ITC, DP turned again to the civil suits consolidated in Delaware, seeking to relitigate the very same issue regarding the validity of the '071 patent that had been decided against DP and in favor of WESLO by the ITC and the Federal Circuit.

On January 27, 1988, the petitioner WESLO, on its own behalf and on behalf of the other active defendants, filed a motion for summary judgment in the Delaware district court. The motion sought a judgment of dismissal as to WESLO on grounds of issue and claim preclusion and as to all other defendants on the grounds of issue preclusion. In essence, the motion sought to preclude DP from relitigating the issues resolved against DP in the judicially affirmed ITC proceeding.

In response, DP and BFL argued that the district court's original jurisdiction under 28 U.S.C. § 1338(a) totally precluded the application of issue and claim preclusion doctrines.⁶ More particularly, it was asserted that the ITC would erroneously be accorded original ju-

⁶ BFL is DP's licensor; and there is no dispute that if the ITC result precludes DP, it also precludes BFL.

risdiction under 28 U.S.C. § 1338(a) if its decisions were given res judicata and collateral estoppel effect.

On August 31, 1989, the Delaware district court entered an Opinion (App. C, 6a-21a) and Order (App. D, 22a) denying summary judgment. The Order was later amended (App. E, 23a-24a) with a supporting Opinion (App. F, 25a-26a). In the Opinion of August 31, 1989, the trial court conceded that its refusal to apply the doctrines of claim and issue preclusion would result in "prudential as well as practical problems," including inter-circuit conflicts, disruption of legitimate economic expectations, erosion of the principle of finality, and disregard for the decisions of this Court, specifically *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313 (1971), and *United States v. Utah Construction & Mining Co.*, 384 U.S. 394 (1966). App. C, 10a-11a. Nevertheless, the district court felt that previous dicta from the Federal Circuit, based on a brief passage from the legislative history of § 1337, constrained it from according the judicially affirmed ITC findings any preclusive effect. App. C, 19a-20a. The district court, however, certified its order for immediate appeal pursuant to 28 U.S.C. § 1292(b). App. D, 22a; App. E, 23a-24a. The Federal Circuit subsequently declined to hear the appeal (App. A, 1a-2a) and denied rehearing of that decision by an Order reported at 903 F.2d 822 (App. B, 3a-5a).

WHY THE WRIT SHOULD BE GRANTED

As noted by the trial court, this case involves "the emerging patent litigation strategy of 'testing the water' on patent validity" in one forum, the ITC, with a subsequent second try in another forum, the federal district court. App. C, 6a. This "litigation strategy" runs counter to well-established decisions of this Court and policies of Congress.⁷ DP fully and exhaustively litigated before the ITC and the Federal Circuit, and it lost. DP now seeks to relitigate the very same issue in the lower federal courts against WESLO as well as others. Immediate review is necessary to preserve the petitioner's right to repose embodied in the long-established preclusion doctrines of *res judicata* and collateral estoppel.

I. THE DECISION BELOW IS CONTRARY TO THIS COURT'S LONG-ESTABLISHED RULE APPLYING COLLATERAL ESTOPPEL AND RES JUDICATA

The district court and the Federal Circuit refused to accord a judicially-affirmed ITC decision any preclusive effect. App. C, 20a-21a; App. B, 4a-5a. This refusal totally disregards the principles set down by this Court in the landmark decisions of *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313 (1971) and *United States v. Utah Construction and Mining Co.*, 384 U.S. 394 (1966).

In *Blonder-Tongue*, this Court firmly established that once a patent has been held invalid, the patent owner is thereafter precluded from relitigating the validity of the

⁷ See *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, *infra*; 28 U.S.C. § 1407(a) (1982) (Multidistrict Litigation) ("promote the just and efficient conduct of such actions"); S. Rep. 275, 97th Cong., 2d Sess., reprinted in 1982 U.S. Code Cong. & Ad. News, 11, 15 (Federal Courts Improvement Act of 1982 Pub. L. No. 97-164) ("reduce the forum shopping that is common to patent litigation.")

patent so long as the patent owner had a full and fair opportunity to litigate in the prior proceeding.⁸ 402 U.S. at 350. The *Blonder-Tongue* decision has been widely cited and followed.⁹ In *United States v. Utah Construction & Mining Co.*, *supra*, 384 U.S. at 421-22, this Court held that findings of federal agencies are to be given preclusive effect where, as here, the agency acted in a judicial capacity. As stated by this Court:

when an administrative agency is acting in a judicial capacity and resolves disputed issues of fact properly before it which the parties have had an adequate opportunity to litigate, the courts have not hesitated to apply *res judicata* to enforce repose. 384 U.S. at 422.

These well-established principles mandate straightforward application of preclusion doctrine to terminate the pending proceedings in the district court.

This Court has long recognized the pressing judicial interests supporting the principles of *res judicata* and

⁸ Notably, *Blonder-Tongue* abandoned the need for mutuality of estoppel in the application of collateral estoppel. 402 U.S. at 327. However, this somewhat controversial aspect of *Blonder-Tongue* is not at issue here because the mutuality rule is satisfied: the parties are the same; and the issues to be litigated are the same. Thus, the preclusion doctrines enunciated in *Blonder-Tongue* are plainly applicable here.

⁹ See also *Allen v. McCurry*, 449 U.S. 90, 95 (1980); *Parklane Hosiery Co. Inc. v. Shore*, 439 U.S. 322, 326 (1979); *Mississippi Chem. Corp. v. Swift Agricultural Chem. Corp.*, 717 F.2d 1374, 1376-79 (Fed. Cir. 1983); *MGA, Inc. v. General Motors Corp.*, 827 F.2d 729, 735 (Fed. Cir. 1987), *cert. denied*, 484 U.S. 1009 (1988); *Molinaro v. Fannon/Courier Corp.*, 745 F.2d 651, 655 (Fed. Cir. 1984); *Dana Corp. v. NOK, Inc.*, 882 F.2d 505, 507 (1980); *Sampson v. Ampex Corporation*, 478 F.2d 339, 341-42 (2d Cir. 1973); *Carter-Wallace, Inc. v. United States*, 496 F.2d 535, 537-542 (Ct. of Cl. 1974) (estopped party chose prior forum); *Kaiser Industries, Inc. v. Jones & Laughlin Steel Corp.*, 515 F.2d 964, 966 (3d Cir. 1975); Chisum, *Patents* § 19.02[2], pages 19-21 to 19-26 (Rev. 1980).

collateral estoppel. There is no recognized tenet of law or equity which "sanctions the rejection by a federal court of the salutary principles of *res judicata*." *Federated Department Stores, Inc. v. Moitie*, 452 U.S. 394, 401 (1981), citing *Heiser v. Woodruff*, 327 U.S. 726, 733 (1946). The doctrines serve the "dual purpose of protecting litigants from the burden of relitigating an identical issue with the same party . . . and of promoting judicial economy." *Parklane Hosiery Co. Inc. v. Shore*, *supra*, 439 U.S. at 826 (party losing in SEC agency dispute estopped in later civil suit). Both doctrines are "central to the purpose for which civil courts have been established, the conclusive resolution of disputes." *Montana v. United States*, 440 U.S. 147, 153 (1979), citing *Southern Pacific R. Co. v. United States*, 168 U.S. 1, 48-49 (1897).¹⁰

The practical benefits of the doctrines, moreover, include "reliev[ing] parties of the cost and vexation of multiple lawsuits, conserv[ing] judicial resources, and, by preventing inconsistent decisions, encourag[ing] reliance on adjudication." *Allen v. McCurry*, *supra*, 449 U.S. at 94 (doctrines applied to § 1983 actions). See also *Underwriters National Assurance Company v. North Carolina Life and Accident and Health Insurance Guaranty Association, et al.*, 455 U.S. 691, 706 (1982) (doctrines applied to jurisdiction and judgments of state courts under full faith and credit clause); *University of Tennessee v. Elliott*, 478 U.S. 788, 794 (1986) (doctrines applied to state agency decisions under 28 U.S.C. § 1738). "Public policy dictates that there be an end of litigation . . . where one voluntarily appears . . . and is fully heard." *Baldwin v. Iowa State Traveling Men's Ass'n*, 283 U.S. 522, 525-526 (1931). DP and BFL should be concluded by the judgment of the tribunal to which they submitted their cause. *Id.*

¹⁰ In *Montana v. United States*, *supra*, the question centered on the application of preclusion doctrines based on prior state court proceedings.

In this case, the district court found that DP and its privy BFL had a full and fair opportunity to litigate the validity of the '071 patent. App. C, 13a. The ITC was acting in a judicial capacity when it found the '071 patent invalid. App. C, 14a; App. E, 31a. Even a cursory review of the Initial Determination (ID) of the Administrative Law Judge lodged with the Clerk of this Court and the subsequent Commission Action and Order (App. H) reveals the judicial nature of the proceedings. Moreover, the decision of the ITC was reviewed and affirmed by an Article III court. Indeed, the trial court determined that all the criteria specified by *Blonder-Tongue* and *Utah Construction* were met. App. C, 13a-14a. Therefore, to subject petitioners to a second suit on that same patent is unjust, unfair and outrageous. *Kremer v. Chemical Construction Corp.*, 456 U.S. 461, 480-481, n. 21 (1982) ("it is well established that judicial affirmance of an administrative determination is entitled to preclusive effect").¹¹

The trial court's decision, therefore, is simply wrong and the refusal of the appellate court to consider the case, in effect and even in substance (App. B, 4a), erroneously affirms the trial court decision. The Court must grant review to assure continued adherence to *Blonder-Tongue* and *Utah Construction* and the long-established rules of *res judicata* and collateral estoppel.

¹¹ A long line of cases has consistently applied this rule. *Ciba Corporation v. Weinberger*, 412 U.S. 640, 643 (1973) (the tactic of reserving threshold question of jurisdiction of FDA not tolerated and litigant barred from raising issue in later proceedings); *University of Tennessee v. Elliott*, *supra*, 478 U.S. at 797-798 (state administrative agency decisions made in judicial capacity to be given issue preclusive effect); *EZ Loader Boat Trailers, Inc. v. Cox Trailers, Inc.*, 746 F.2d 375, 377-78 (7th Cir. 1984) (judicially affirmed decision of the Patent Office given collateral estoppel effect). As the Seventh Circuit observed, with *Utah Construction* "leading the way," the courts have continued to give preclusive effect to agency decisions. *Bowen v. United States*, 570 F.2d 1311, 1321 (7th Cir. 1978).

II. ABSENT IMMEDIATE REVIEW, THE PETITIONER EFFECTIVELY WILL BE DENIED THE BENEFITS OF ESTABLISHED PRECLUSION DOCTRINES

Blonder-Tongue and *Utah Construction* mandate termination of the case pending below on the basis of the judicially reviewed ITC decision. This result avoids the burdens and expenses of a second trial, as well as the risk that WESLO will be a victor in one forum and a loser in another (with the consequent and absurd result that the '071 patent would be valid for some purposes but invalid for others). Immediate review by this Court is necessary to preserve the benefits of established preclusion doctrines for petitioner as well as for the courts.¹²

Absent immediate review, WESLO will be irreparably harmed. Should review be denied, a second trial will be required on matters already resolved in another forum. If WESLO prevails at that second proceeding, the preclusion question presented here will be moot and WESLO will thereby have been denied its benefit.¹³ If, by contrast, WESLO loses at trial, but successfully advances the preclusion doctrine on appeal, WESLO nonetheless will have been deprived of the benefit of those doctrines. In either event, WESLO will be required to carry the burden of litigation and spend the associated hundreds of thousands of dollars in fees and costs. Further, WESLO will be exposed to lost business, lost profits, and lost business reputation as DP, its competitor, exploits the continuation of this dispute in the marketplace to persuade customers to not deal with WESLO. In short, absent review, WESLO and the courts will be denied the very

¹² Although petitioner WESLO above seeks review, it is likely that review will govern all of the consolidated proceedings and that at least five other trials will be avoided as well.

¹³ See *Stack v. Boyle*, 342 U.S. 1 (1951) (interlocutory orders involving bail are immediately reviewable because a subsequent trial moots the bail issue).

benefits that preclusion doctrines envision, even if petitioner's claim is later sustained on appeal. Therefore, review is plainly warranted to avoid this outrageous result.

Although not directly on point, the case of *Mitchell v. Forsyth*, 472 U.S. 511 (1985) is instructive. In that case, Attorney General John Mitchell sought immunity from suit for wiretaps undertaken for national security. The benefits of the immunity claimed by John Mitchell included relief from the costs of trial and the burdens of discovery. 472 U.S. at 526. This Court concluded that denial of a claim of immunity, like the denial of a claim of former jeopardy, warranted immediate review because such claims "cannot be vindicated after the trial has occurred." 472 U.S. at 525.¹⁴

Identical reasoning mandates review here. Established preclusion doctrines, like immunity doctrines, are a direct civil law analogy to a claim of former jeopardy. See n. 14, *supra*. WESLO's right to be immune from further suit and be protected from a multiplicity of proceedings and inconsistent obligations cannot be vindicated after a second trial. Immediate review is necessary to preserve this right.

III. THE LOWER COURTS' DENIAL OF PRECLUSION CONFLICTS WITH ESTABLISHED LAW

The district court declined to apply established preclusion doctrines because it reasoned that 28 U.S.C. § 1338(a) places original and exclusive jurisdiction over patent matters in the federal district courts and there-

¹⁴ See also *Abney v. United States*, 431 U.S. 651 (1977) (pretrial order denying motion to dismiss on grounds of former jeopardy is subject to immediate review); *Helstoski v. Meanor*, 442 U.S. 500 (1979) (pretrial order denying motion to dismiss on grounds of congressional immunity is subject to immediate review); *Nixon v. Fitzgerald*, 457 U.S. 731 (1982) (interlocutory denial of claim of executive privilege is subject to immediate review).

fore application of those doctrines would be contrary to the statute. The district court also based its decision on the legislative history of the Trade Reform Act of 1974. The appellate court, in turn, relied on several of its cases in which the question presented here was addressed briefly in dicta. Each of the grounds relied upon by the lower courts in refusing to apply the preclusion doctrines, however, is unsound and in total conflict with the decisions of this Court.

A. 28 U.S.C. § 1338(a) Does Not Prevent Application of Issue and Claim Preclusion

The undisputed fact that district courts possess original jurisdiction over patent disputes exclusive of state courts does not negate the preclusive effect of a judicially affirmed finding of patent invalidity by the ITC. A district court, prior to proceeding with litigation of a matter previously resolved by the ITC, must exercise its original jurisdiction under 28 U.S.C. § 1338(a). However, in doing so, it is limited under the preclusion doctrines to an examination of the facts and circumstances of the prior adjudication to determine whether there was a full and fair opportunity to litigate, and to consider any other showing why the patent owner should not be estopped by the preclusion doctrines. *Blonder-Tongue, supra*; *Utah Construction, supra*.

Indeed, precisely because of the foregoing, state court judgments resolving patent questions are routinely accorded preclusive effect. *Becher v. Contoure Laboratories, Inc.*, 279 U.S. 388 (1929) (state court judgment given preclusive effect in a subsequent patent infringement action); *Pratt v. Paris Gas Light & Coke Co.*, 168 U.S. 255 (1897) (well established that any defense which goes to the validity of the patent is available in the state courts).¹⁵ Thus, the fact that federal courts have

¹⁵ See also *Marrese v. American Academy of Orthopaedic Surgeons*, 470 U.S. 373 (1985) (state court judgment may have pre-

"exclusive" jurisdiction over patent cases does not deprive the determinations of another tribunal which properly reaches a patent question of preclusive effect.

The lower court's attempt to reframe the preclusion issue as a conflict between jurisdictional statutes of the district court and the ITC (App. C, 14a-15a) is simply flawed. There is no conflict because the question is whether the district court should apply the doctrines of issue and claim preclusion, *in the proper exercise of its original jurisdiction*, based on a prior determination of the ITC. The application of the doctrines of issue and claim preclusion will not transfer any jurisdictional authority to consider patent cases under 28 U.S.C. § 1338 to the ITC; and it does not convert the ITC to an entity which has § 1338 jurisdiction.¹⁶

clusive effect in a subsequent federal suit involving federal anti-trust claims that could not have been raised in the state proceeding); *MGA, Inc. v. General Motors Corp.*, *supra*, 827 F.2d at 731-735 (relitigation of the issue of patent infringement in a district court action is precluded by a prior state court judgment of noninfringement); *Vanderveer v. Erie Malleable Iron Co.*, 288 F.2d 510 (3d Cir. 1956), *cert. denied*, 353 U.S. 937 (1957).

¹⁶ One group of commentators has observed that federal court judgments are binding even though the first court lacked subject matter jurisdiction and that the same probably holds true for other federal tribunals, such as administrative agencies. 18 C. Wright, A. Miller & E. Cooper, *Federal Practice and Procedure: Jurisdiction* § 4428 at 282 (1981). Moreover, citing this Court's decision in *Sunshine Anthracite Coal Co. v. Adkins*, 310 U.S. 381, 403 (1940), these same commentators have noted that "[a]n assertion of jurisdiction by an administrative tribunal is likely to be treated in the same way as an assertion by a court *if the decision has been subjected to judicial review.*" 18 C. Wright, A. Miller & E. Cooper, *Federal Practice and Procedure: Jurisdiction* § 4428 at 282 n.29 (emphasis added). See also: *Kremer v. Chemical Construction Corp.*, *supra*, 456 U.S. at 482; *Restatement (Second) of Judgments* § 83, *Adjudicative Determination by Administrative Tribunal*; K. Davis, *Administrative Law Treatise* § 21:3 Res

The recent case of *Christianson v. Colt Industries Operating Corp.*, 486 U.S. 800 (1988) is instructive, though not directly on point. In that case, the trial court passed on patent questions en route to a decision on antitrust claims. On appeal, the Seventh Circuit construed 28 U.S.C. §§ 1295 and 1338 as conferring exclusive jurisdiction on the Federal Circuit because of the patent question involved, and accordingly transferred the case to the Federal Circuit. The Federal Circuit disagreed. This Court agreed with the Federal Circuit and held that the Federal Circuit's exclusive jurisdiction over patent appeals *did not* bar other appellate tribunals from considering patent questions in resolving claims or cases properly before it. The *Colt* case thus teaches that one tribunal, the Seventh Circuit, in addressing claims properly before it, can resolve patent *questions* without transgressing the exclusive patent *jurisdiction* of the Federal Circuit. It follows also that the jurisdiction of both forums is not eroded, transferred or undermined. In the same vein, application of issue and claim preclusion doctrines to this case will not erode, transfer or undermine the jurisdiction of the federal courts or place the jurisdiction of the federal courts in conflict with that of the ITC.¹⁷

Judicata (2d Ed., Vol. 4, 1983); B. Mezines, J. Stein and J. Gruff, *Administrative Law* § 40.01 Res Judicata and Collateral Estoppel (Rev. Vol. 5, 1982).

¹⁷ It should be noted that appeals from the ITC and from the federal district courts are now both taken by the United States Court of Appeals for the Federal Circuit. 28 U.S.C. § 1295. Congress hoped to produce uniformity in the patent law and discourage forum shopping. S. Rep. No. 275, 97th Cong., 2d Sess., *supra*, at 15. Neither policy will be served if the decision below is not reviewed and reversed.

B. The Legislative History of § 1337 Does Not Prevent Application of Preclusion Doctrines

The Federal Circuit has asserted, in dicta, that an ITC determination of patent validity "does not estop fresh consideration by other tribunals." *Tandon Corp. v. United States Int'l Trade Comm'n*, 831 F.2d 1017, 1019 (Fed. Cir. 1987).¹⁸ This dicta, in turn, is based on the legislative history of the Trade Reform Act of 1974, which modified 19 U.S.C. § 1337 to its present form. The legislative history of § 1337, however, simply does not prevent application of preclusion doctrine here.

Section 1337 (App. J) *has no language which addresses the preclusive effect of ITC decisions*. Not one word suggests or implies that such a fundamental doctrine is not applicable. The statute is silent even though in hearings before the United States Senate Finance Committee in 1974 leading up to the enactment of the 1974 Trade Reform Act by which the ITC obtained authority to consider patent invalidity defenses, it was sug-

¹⁸ Notably, *Tandon Corp. v. United States Int'l Trade Comm'n*, *supra*, does not cite *Blonder-Tongue v. University of Illinois Foundation*, *supra*, *United States v. Utah Construction and Mining Co.*, *supra*, or any other authorities pertaining to the doctrine of issue preclusion. Similarly, none of the other cases relied upon by the Federal Circuit (App. B, 11a) discuss these landmark cases or other pertinent authorities involving issue preclusion. See *Lannom Mfg. Co. Inc. v. United States Int'l Trade Comm'n*, 799 F.2d 1572, 1578-79 (Fed. Cir. 1986) (The ITC did not have jurisdiction to unilaterally determine validity absent the presentment of such a defense by a party); *Texas Instruments Inc. v. United States Int'l Trade Comm'n*, 851 F.2d 342 (Fed. Cir. 1988) (patent invalidity decision of ITC and appeal dismissed as moot because patent expired); *Corning Glass Works v. United States Int'l Trade Comm'n*, 799 F.2d 1559, 1570, n.12 (Fed. Cir. 1986) (Commission action upheld on grounds not involving patent issues; res judicata effect of ITC decisions NOT ADDRESSED but identified as an issue not reached in footnote 12).

gested that the decisions of the ITC may become binding.¹⁹ Furthermore, there was testimony before Congress that the judicially affirmed patent decisions of the ITC would be accorded the same preclusive effect afforded patent decisions of state courts.²⁰

On the other hand, two sentences of a related Senate Finance Committee Report at first blush mitigate against the application of the preclusion doctrines. S. Rep. No. 1298, 93d Cong. 2d Sess. 193, 196 (1974), *reprinted in* 1974 U.S. Code Cong. & Admin. News 7186, 7329 states that:

The Commission's findings neither purport to be, nor can they be, regarded as binding interpretations of the U.S. patent laws in particular factual contexts. Therefore, it seems clear that any disposition of a Commission action by a Federal Court should not have a *res judicata* or collateral estoppel effect in cases before such courts.

¹⁹ A written proposal was submitted to the committee having an entire section addressing the estoppel effect of future decisions and recommending language to prevent application of *res judicata* and collateral estoppel to judicially affirmed ITC decisions. Trade Reform Act of 1973, Hearings Before The Committee on Finance of the United States Senate, 93d Congress, 2d Sess., 1999-2013 at 2002, lines 24-34, at 2012, lines 13 *et. seq.* However, the proposal was not accepted. (The 1973 Trade Reform Act later became the 1974 Act.)

²⁰ In hearings before the House Ways and Means Committee, a witness submitted a written statement regarding validity decisions of the ITC that:

The Tariff Commission (ITC) report or finding on validity should have no more influence in a federal district court . . . than presently a state court's opinion on validity would have on a federal district court.

Trade Reform Hearings Before the Committee On Ways and Means, House of Representatives, 93d Congress, First Session on H.R. 6767, the Trade Reform Act of 1973, 1588-1590, at 1599-90. The statement expressly recognized that such action by the ITC would not impinge on the exclusive jurisdiction of the federal district courts. *Id.* See also the text accompanying footnote 15, *supra*.

However, these comments are simply not controlling.²¹

Prior to 1974, the ITC was without jurisdiction to consider the validity of the patents before it. The Trade Reform Act of 1974 changed this by expressly authorizing the ITC to consider "all legal and equitable defenses" brought before it.²² 19 U.S.C. § 1337(c). In making this change, Congress expressly endorsed the ITC's capacity to rule on patent validity questions but did not adopt statutory language limiting the applicability of such decisions.²³ Thus, the legislative history of the 1974 amendment states that, "[t]he Commission may (*and should when presented*) . . . review the validity and enforceability of patents." S. Rep. No. 1298, 93d Cong. 2d Sess. 193, 196 (1974) *reprinted in* 1974 U.S. Code Cong. & Admin. News 7186, 7329 (*emphasis added*).

In 1982, judicial review of ITC determinations changed dramatically with the creation of the Federal Circuit.²⁴ That court was given exclusive jurisdiction to

²¹ The Federal Circuit cases which have suggested that ITC patent decisions should not be given preclusive effect premise their position solely on these two sentences. For example, in *Corning Glass Works v. United States Int'l Trade Comm'n*, *supra*, 799 F.2d at 1570, n.12, the court merely noted the existence of the argument based only on two sentences out of the legislative history. Also, in *Union Mfg. Co. v. Han Baek Trading Co.*, 763 F.2d 42 (2d Cir. 1985), ITC trademark decisions were given preclusive effect with a comment in dicta that ITC patent decisions would not be. Here again, the court referenced only the two sentences out of the legislative history of the 1974 amendment.

²² For a detailed review of the origins of the Trade Act of 1974, see *Lannom Mfg. Co., Inc. v. United States Int'l Trade Comm'n*, *supra*, 799 F.2d at 1576-78.

²³ See footnote 19.

²⁴ Prior to 1982, the Court of Customs and Patent Appeals ("C.C.P.A.") had jurisdiction to review ITC determinations. However, the C.C.P.A. had no appellate jurisdiction to hear appeals from district court decisions in patent cases. Such decisions were

hear appeals from ITC decisions²⁵ and appeals from all district courts in cases arising under the patent statute.²⁶ The primary objective behind the creation of the Federal Circuit was to generate consistent jurisprudence and a uniform body of patent law.²⁷ All appeals in patent cases were thereafter to be determined by a single appellate body. This indeed was a profound change in the fundamental structure for judicial review of patent cases.²⁸ The Senate Finance Committee could not have known in 1974 that review of all patent issues, regardless of their jurisdictional origin, would one day be resolved by a single body created for the very purpose of achieving uniformity in patent law.

One group of commentators considered the change effected by the creation of the Federal Circuit and concluded that the change relegated the 1974 Senate Committee comments to the arena of historic interest only. They reasoned that the Federal Circuit and district courts will follow this Court's clear direction in *Utah Construction* that agency decisions be given preclusive effect:

reviewed by each of the several circuit courts of appeals. S. Rep. No. 275, 97th Cong., 2d Sess., Federal Courts Improvement Act, Pub. L. 79-164, reprinted in 1982 U.S. Code Cong. & Admin. News, 11.

²⁵ 19 U.S.C. § 1337(c).

²⁶ 28 U.S.C. § 1338(a) and 28 U.S.C. § 1295(a).

²⁷ *South Corp. v. United States*, 690 F.2d 1368, 1370-71 (Fed. Cir. 1982); see footnote 24, *supra*.

²⁸ Just as it is appropriate when construing a statute to consider circumstances when the statute was enacted, *Callejas v. McMahon*, 750 F.2d 729, 731 (9th Cir. 1984), a court must also consider significant changes that have occurred since that time. *Perry v. Commerce Loan Co.*, 383 U.S. 392, 399 (1966). Thus, it is essential to consider the 1974 legislative history in the context of the enactment in 1982 of the legislation establishing the Federal Circuit.

This change in the jurisdiction of the reviewing court to the Commission in § 337 cases would seem to affect the status of appeals from such cases since the Committee Report (Senate Finance Committee Report on the Trade Act of 1974) does not appear to have been addressing the present status and jurisdiction of the ITC reviewing court.

Furthermore, based on the Supreme Court decision in *United States v. Utah Construction and Mining Co.*, 384 U.S. 394 (1966), and the recent CAFC decisions in the area of issue and claim preclusion, the CAFC and/or the district courts may soon use the principles of collateral estoppel under certain circumstances in the patent-based § 337 decisions.²⁹

H. Kaye, P. Plaia & M. Hertzberg, *International Trade Practice*, § 11.19 at 1S-98 (Supp. 1986).

Although not aware in 1974 that one day both ITC and district court decisions on patent validity would be reviewed by the same tribunal, Congress clearly authorized the ITC to rule on patent validity questions. In such circumstances, it is improper to give persuasive weight to only two sentences in the legislative history of a statute which has no language addressing the doctrines of issue and claim preclusion and their applicability. This is particularly so because the 1971 *Blonder-Tongue* decision of this Court unequivocally speaks in favor of the application of the doctrine of issue preclusion in patent cases. *Burlington Northern Railroad Company v. Oklahoma Tax Commission*, 481 U.S. 454, 461 (1987) (statutory language conclusive); *Pierce v. Underwood*, 487 U.S. 552, 566-568 (1988) (legislative history not controlling).

²⁹ The term CAFC refers to the Court of Appeals for the Federal Circuit.

CONCLUSION

The petition for a writ of certiorari should be granted. Indeed, the issue involved is so clear, the Court may wish to consider summary reversal.

Respectfully submitted,

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APPENDICES

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APPENDIX A

UNITED STATES COURT OF APPEALS FOR THE
FEDERAL CIRCUIT

Miscellaneous Docket No. 268

IN RE CONVERTIBLE ROWING
EXERCISER PATENT LITIGATION

ON PETITION FOR PERMISSION TO APPEAL

Before ARCHER, *Circuit Judge*, BALDWIN, and BEN-
NETT, *Senior Circuit Judges*.

ARCHER, *Circuit Judge*.

[Filed April 4, 1990]

ORDER

Ajay Enterprises Corporation, et al. petition for permission to appeal the October 2, 1989 order of the United States District Court for the District of Delaware certified for immediate appeal pursuant to 28 U.S.C. § 1292(b), (c). Diversified Products, Corp., et al. oppose the petition. Ajay moves for leave to file a reply.

By way of background, in an earlier International Trade Commission proceeding, the ITC determined that there was no 19 U.S.C. § 1337 violation on the ground that Diversified's patent was invalid. This court affirmed the no violation determination.

In this multi-district litigation, Ajay and others moved for summary judgment of patent validity on the grounds

of issue and claim preclusion. The district court denied the motion for summary judgment, certified its order of denial for immediate appeal, and stayed the district court action.

Pursuant to 28 U.S.C. § 1292, this court has the discretion to grant or deny petitions for permission to appeal. Here, we determine to deny the petition.

IT IS ORDERED THAT:

- (1) Ajay's petition is denied.
- (2) Ajay's motion for leave to file a reply is denied.

FOR THE COURT

/s/ Glenn L. Archer, Jr.
GLENN L. ARCHER, JR.
Circuit Judge

Date April 4, 1990

cc: Richard A. Kaplan, Esq.
Alan I. Cantor, Esq.

APPENDIX B

UNITED STATES COURT OF APPEALS FOR THE
FEDERAL CIRCUIT

Miscellaneous Docket No. 268

IN RE CONVERTIBLE ROWING
EXERCISER PATENT LITIGATION

PETITION FOR REHEARING

Before ARCHER *Circuit Judge*, BALDWIN and BENNETT, *Senior Circuit Judges*.

ARCHER, *Circuit Judge*.

[Filed May 11, 1990]

ORDER

Ajay Enterprises Corporation, et al. (Ajay) has petitioned for rehearing and suggested *in banc* consideration¹ of the court's April 4, 1990 order denying their petition for permission to appeal pursuant to 28 U.S.C. § 1292 (b), (c).

Ajay's petition for rehearing is frivolous. First, as the legislative history of 28 U.S.C. § 1292(b) makes clear:

The granting of the appeal is also discretionary with the court of appeals which may refuse to entertain such an appeal in much the same manner that

¹ Only the petition for rehearing is before this panel.

the Supreme Court today refuses to entertain applications for writs of certiorari.

It should be made clear that if application for an appeal from an interlocutory order is filed with the court of appeals, the court of appeals may deny such application without specifying the grounds upon which such a denial is based. It could be based upon a view that the question involved was not a controlling issue. It could be denied on the basis that the docket of the circuit court of appeals was such that the appeal could not be entertained for too long a period of time. But, whatever the reason, the ultimate determination concerning the right of appeal is within the discretion of the appropriate circuit court of appeals.

S. Rep. No. 2434, 85th Cong. 2d Sess. 3, 4, *reprinted in* 1958 U.S. Code Cong. & Admin. News 5255.

Further, this court has on four occasions considered the question of law involved in Ajay's petition.² See *Texas Instruments, Inc. v. U.S. Int'l Trade Comm'n*, 851 F.2d 342, 7 USPQ 2d 1509 (Fed. Cir. 1988); *Tandon Corp. v. U.S. Int'l Trade Comm'n*, 831 F.2d 1017, 4 USPQ 2d 1283 (Fed. Cir. 1987); *Lannom Mfg. Co., Inc. v. U.S. Int'l Trade Comm'n*, 799 F.2d 1572, 231 USPQ 32 (Fed. Cir. 1986); *Corning Glass Works v. U.S. Int'l Trade Comm'n*, 799 F.2d 1559, 230 USPQ 822 (Fed. Cir. 1986). Moreover, these decisions were re-

² The question of law as set forth by the United States District Court for the District of Delaware is:

whether the determination of the ITC invalidating the '071 patent, affirmed by the Court of Appeals for the Federal Circuit ("Federal Circuit"), made relative to a determination that no violation of section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337 (1982)) occurred, should be given preclusive effect in this Court despite the grant of original jurisdiction over patent matters placed in the District Courts under 28 U.S.C. § 1338 (1982).

ferred to and discussed by Diversified Products Corp. in its thorough and well-written opposition to Ajay's petition for permission to appeal.

Accordingly,

IT IS ORDERED THAT:

Ajay's petition for rehearing is denied.

Date 5/11/90

/s/ Glenn L. Archer, Jr.
GLENN L. ARCHER, JR.
Circuit Judge

APPENDIX C

UNITED STATES DISTRICT COURT
D. DELAWARE

No. Misc. 85-14

IN RE CONVERTIBLE ROWING
EXERCISER PATENT LITIGATION

Aug. 31, 1989

Same as 12 USPQ 2d 1275

OPINION

LONGOBARDI, Chief Judge.

This opinion addresses an issue of first impression raised in a summary judgment motion by Defendants Ajay Enterprises Corporation and Weslo, Inc. in a dispute involving the alleged validity and infringement of U.S. Patent No. 4,477,071 (the "'071 patent"). The ultimate determination of the issue may affect the emerging patent litigation strategy of "testing the water" on patent validity, enforceability and infringement issues¹ before the International Trade Commission ("ITC"). The precise question before the Court is whether the determination of the ITC invalidating the '071 patent, affirmed by the Court of Appeals for the Federal Circuit ("Fed-

¹ See, e.g., Shearson Lehman Hutton, "Current Comments on Health Care" (Oct. 24, 1988) (discussing litigation strategy of first pursuing patent validity determination at ITC as opposed to District Courts because ITC proceedings have shorter life-span).

eral Circuit"),² made relative to a determination that no violation of section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337 (1982)) occurred, should be given preclusive effect in this Court despite the grant of original jurisdiction over patent matters placed in the District Courts under 28 U.S.C. § 1338 (1982).³

BACKGROUND

In October, 1984, nine separate patent infringement actions were instituted in districts throughout the country. The Judicial Panel on Multidistrict Litigation thereafter referred to this District the original cases and four more cases involving the '071 patent. The cases are now consolidated for pretrial proceedings. Plaintiffs are Diversified Products Corporation ("DP") and Brown Fitzpatrick Lloyd Ltd. ("BFL"). The Defendants, each named in one of the actions, are Ajay Enterprises Corporation ("Ajay"), Allegheny International Exercise Company ("Allegheny"), Beacon Enterprises, Inc. and Saw Mill River Industries ("Beacon/Saw Mill"), Billard Barbell Company ("Billard"), Columbia Manufacturing Company ("Columbia"), Roadmaster, Inc. ("Roadmaster"), Rocket Industries, Inc. ("Rocket"), Walton

² *Diversified Products Corp. v. United States Intern. Trade Com'n*, 824 F.2d 980 (Fed. Cir. 1987).

³ The question is one of first impression because of the relatively recent passage of the Federal Courts Improvements Act of 1982, Pub. L. No. 97-164, § 160(a)(5), 96 Stat. 48, 163(a), 96 Stat. 49. Previously, decisions of federal District Courts on patent matters were appealed to the Court of Appeals in the Circuit of that District Court. Decisions of the ITC were appealed to the United States Customs and Patent Appeals ("CCPA"). 19 U.S.C. § 1337 (1976) (no longer in effect after passage of Federal Courts Improvement Act). Now, decisions of District Courts on patent questions and all decisions of the ITC are appealed to the Federal Circuit. 28 U.S.C. § 1292(c)(2) (1982 & Supp. II 1984) (patent appeals to Federal Circuit from District Court); 19 U.S.C. § 1337 (1982 & Supp. II 1984) (appeals of ITC determinations must be taken to Federal Circuit).

Manufacturing Company ("Walton") and Weslo, Inc. ("Weslo").⁴

On December 5, 1984, DP filed a Complaint with the ITC pursuant to 19 U.S.C. § 1337 (1982). The complaint was amended twice. The Second Amended Complaint alleged that Defendant Weslo committed acts of unfair trade practice in violation of section 337 by importing goods that infringe the '071 patent. Weslo responded to the Complaint by asserting, *inter alia*, that the '071 patent was invalid and not infringed.⁵

The Administrative Law Judge ("ALJ"), after concluding all other aspects of an unfair trade practice had been established, held that the invention of the '071 patent was anticipated and obvious in view of the prior art Beacon 3002 rowing machine. On review, the full Commission reversed the ALJ's conclusion of anticipation but sustained the ALJ on all other grounds. *In the Matter of Certain Convertible Rowing Exercisers*, ITC Investigation No. 337-TA-212 (1985). DP appealed to the Federal Circuit for review of the obviousness finding of the ITC. The Federal Circuit in an unpublished opinion dealt exclusively with the obviousness issue. The appellate court affirmed the determination by the ITC that the '071 patent was invalid and thus no violation of section 337 occurred. *Diversified Products Corp. v. United States Intern. Trade Com'n*, 824 F.2d 980 (Fed. Cir. 1987).⁶

⁴ Defendants Allegheny, Beacon/Saw Mill and Billard have all sought protection under the Bankruptcy Code. The actions involving these parties have been dismissed because of the pending bankruptcy proceedings.

⁵ Weslo is the only Defendant common to the District Court action and the ITC proceeding and was the only active participating Defendant before the ITC.

⁶ The Beacon 3002 rower appeared as evidence in the ALJ's proceeding one month before the hearing date (Aug. 12, 1985). A Beacon official testified he demonstrated Beacon rowers in an upright position to retail buyers around 1980. Initially, no buyers or other

DISCUSSION

The Defendants argue that summary judgment on the issue of patent validity should be entered for them based upon the affirmance by the Federal Circuit of the ITC determination that the '071 patent is invalid by reason of obviousness. Obviousness is a legal conclusion based on factual determinations and not a factual determination itself. *Karlstads Mekaniska Werkstad v. ITC*, 705 F.2d 1565 (Fed. Cir. 1983). Defendants assert that the rule promulgated by the Supreme Court in *Blonder-Tongue v. University Foundation*, 402 U.S. 313, 91 S.Ct. 1434, 28 L.Ed.2d 788 (1971), bars Plaintiffs from relitigating the validity of the '071 patent. In *Blonder-Tongue*, the Supreme Court held that once a court determines a patent is invalid in a proceeding where the patent owner had a full and fair opportunity to adjudicate, the patent owner is precluded from relitigating the validity of the patent against all others. *Id.* The Supreme Court thus eliminated the mutuality requirement in the use of collateral estoppel in cases finding patent invalidity.

disinterested witnesses could corroborate these allegations. Then three days before the hearing date a former buyer for Montgomery Ward, John Kucera, came forward and testified that he witnessed a demonstration of the Beacon rower in an upright position in October, 1980. This testimony was the lynch-pin for the ALJ's decision that the Beacon 3002 rower constituted prior art.

DP also filed a lawsuit in Canada alleging infringement of its Canadian patent for the same rowing machine. The Canadian court held the Canadian patent valid and infringed. *Diversified Products Corp. and Brown Fitzpatrick Lloyd Patent Ltd. v. Tye-Sil Corp. Ltd.*, No. T-1565-85 slip op. (Fed. Ct. of Canada, Jul. 30, 1987). The Canadian court found the testimony showing the Beacon 3002 rower as prior art to be unpersuasive and adequately rebutted by evidence not used in the United States ITC proceeding. The Canadian decision was issued on July 30, 1987. The decision of the Federal Circuit affirming the ITC was issued June 17, 1987. DP argues, if given adequate time to prepare for the testimony regarding the demonstration of the Beacon 3002 rower, no court or administrative tribunal could find the '071 patent invalid.

Defendants also urge that the doctrine of “administrative *res judicata*” prevents further judicial review of the '071 patent. In *United States v. Utah Constr. Co.*, 384 U.S. 394, 86 S.Ct. 1545, 16 L.Ed.2d 642 (1966), the Supreme Court held that findings of federal agencies shall be given preclusive effect when those agencies are acting in a judicial capacity. *Id.* at 422, 86 S.Ct. at 1560. Defendants argue the ITC is a federal agency; it acted in a judicial capacity in the proceeding declaring the '071 patent invalid; therefore, the findings of the ITC in this matter should be given preclusive effect.⁷

Failure to grant preclusive effect to the Federal Circuit's affirmance of the '071 patent gives rise to prudential as well as practical problems. First, if the Court does not grant preclusive effect to the ITC determination that the '071 patent is invalid, this Court might find, as the Canadian court found with the benefit of additional evidence, that the '071 patent is not invalid.⁸ This Court then would be placed in the awkward position of dis-

⁷ Defendants make other contentions. Defendants contend that section 337 of the Tariff Act of 1930, 19 U.S.C. § 1337 (1982) (hereinafter section 337), is not helpful to the determination of this motion because it does not mention the appropriate preclusive effect that should be accorded ITC decisions on patent validity. Moreover, according to Defendants, legislative history for section 337 should not be considered because the legislative statements occurred before the creation of the Federal Circuit in the Federal Courts Improvements Act. They contend that the substantial evidence standard of review employed by the Federal Circuit in its review of ITC decisions is identical to the standard of review of federal District Court jury verdicts, thus application of the doctrine of issue preclusion to the '071 patent decision is appropriate. Also, Defendants argue the original jurisdiction of the District Courts in patent matters should not be a determining factor because in areas where federal courts have original jurisdiction, state court decisions have been given preclusive effect pursuant to 28 U.S.C. § 1738 (1982).

⁸ The Court offers no opinion as to the merits of the substantive claim that the '071 patent is invalid.

agreeing with a Federal Circuit decision upholding the invalidity of the '071 patent and the same Court of Appeals would be asked to hear the appeal of the decision by this Court finding the '071 patent not invalid.⁹ (The implications of such circumstances need not be discussed in detail at this point.)

Unlike the prudential problems posed above, the issue posed by conflicting decisions—one finding the '071 patent invalid affirmed by the Federal Circuit and one holding the '071 patent not invalid—is a practical problem courts and commentators have addressed although not in this specific context. If preclusive effect is not granted to the determination of patent invalidity, those individuals who have relied upon the Federal Circuit's affirmance could face potential financial harm if a contrary result were reached by this Court and affirmed by the Federal Circuit. For example, individuals might invest capital in an effort to produce a product for market following a determination by the ITC and affirmance by the Federal Circuit. Then, if preclusive effect were not granted to the prior proceeding, this Court could uphold the validity of that same patent and those individuals who relied upon the seemingly final decision of the Federal Circuit affirming the ITC determination would find themselves having invested in projects which could be barred by the valid '071 patent. Both the Federal Circuit and Supreme Court have stated that it is highly desirable to apply judicial preclusion to ensure finality of litigation and thus prevent the problems raised by the above example.¹⁰ *See generally*

⁹ *See generally United States v. Mitlo*, 714 F.2d 294, 298 (3d Cir. 1983) (judgment of higher court in judicial hierarchy must be followed by lower courts in that jurisdiction); *Allegheny Gen. Hosp. v. N.L.R.B.*, 608 F.2d 965, 970 (3rd Cir. 1979) (judgment of higher courts conclusive as to lower courts and leave to the lower courts "no scope for independent judgment or discretion" (quoting H.C. Black, *Law of Judicial Precedents* 10 (1912))).

¹⁰ Additional problems exist if this Court does not grant preclusive effect to the ITC determination. If the Court hears this

Blonder-Tongue, 402 U.S. at 323-50, 91 S.Ct. at 1439-53 (recognizing importance of finality of litigation, limiting litigation costs and limiting waste of court time; Court eliminated mutuality requirement in use of collateral estoppel in cases finding patent invalidity); *Montana v. United States*, 440 U.S. 147, 154, 99 S.Ct. 970, 974, 59 L.Ed.2d 210 (1979) (*res judicata* “fosters reliance on judicial action by minimizing the possibility of inconsistent decisions”); *MGA, Inc. v. General Motors Corp.*, 827 F.2d 729, 732 (Fed. Cir. 1987), *cert. denied*, 484 U.S. 1009, 108 S.Ct. 705, 98 L.Ed.2d 656 (1988) (*res judicata* and collateral estoppel “relieve parties of the cost and vexation of multiple lawsuits, conserve judicial resources, and, by preventing inconsistent decisions, encourage reliance on adjudication.” (quoting *Allen v. McCurry*, 449 U.S. 90, 94, 101 S.Ct. 411, 414, 66 L.Ed.2d 308 (1980))) ; *Del Mar Avionics, Inc. v. Quinton Instrument Co.*, 836 F.2d 1320 (Fed. Cir. 1987) (recognizing importance of finality in litigation and granting preclusive effect to prior determinations); *Young Engineers v. U.S. Intern. Trade Com’n*, 721 F.2d 1305, 1316 (Fed. Cir. 1983) (where patent infringement claim that serves as basis of section 337 investigation claim that would be barred in second infringement suit, such claim barred in section 337 proceeding).¹¹

dispute on the merits, valuable Court time and litigant resources could be wasted. For example, if preclusive effect is not granted to the ITC determination as affirmed by the Federal Circuit, this Court—and other District Courts—could conceivably engage itself in lengthy patent trials only to have the Federal Circuit follow its original decision in the appeal from the ITC.

¹¹ One learned treatise aptly addresses the policy purpose underlying the concept of finality: “The most purely public purpose served by *res judicata* lies in preserving the acceptability of judicial dispute resolution against the corrosive disrespect that would follow if the same matter were twice litigated to inconsistent results.” Wright, Miller & Cooper, *Federal Practice and Procedure* § 4403 at 12 (1981).

Another problem posed if this Court does not accord preclusive effect to the Federal Circuit affirmance of the ITC determination is justifying such a result in light of *Blonder-Tongue*. In *Blonder-Tongue*, the Supreme Court held that once an issue has been finally adjudicated and a District Court has determined that a patent is invalid, unless the party against whom estoppel is sought can demonstrate that he did not previously have a full and fair opportunity to adjudicate the issue, the question of patent validity cannot be relitigated in any subsequent proceeding. *Blonder-Tongue*, 402 U.S. at 350, 91 S.Ct. at 1453. The Plaintiffs had a full and fair opportunity to adjudicate before the ITC. The rules of procedure closely resemble the Federal Rules of Civil Procedure and basic and fundamental evidentiary principles were observed at the ITC. Moreover, the ITC made adequate factual findings and thus indicated it grasped the technical subject matter and issues in the suit. See *Blonder-Tongue*, 402 U.S. at 333, 91 S.Ct. at 1445 (discussing requirement that trial court make findings indicating comprehension of case to show full and fair opportunity to adjudicate existed). Finally, the Plaintiffs chose to pursue relief at the ITC. *Id.* at 337, 91 S.Ct. at 1447 (in question of whether full and fair opportunity to litigate, court attached importance to fact patentee chose forum to litigate questions). In the instant case, the Federal Circuit has affirmed the ITC determination that the '071 patent is invalid. The Court thus faces the difficult question of why the *Blonder-Tongue* doctrine should not apply to this litigation and thus preclude relitigation of patent validity.¹²

¹² The prior proceeding in *Blonder-Tongue* that led the Supreme Court to find further adjudication was estopped was also appealed. *University of Illinois Foundation v. Winegard Company*, 271 F. Supp. 412 (S.D. Iowa 1967), *aff'd by unanimous decision*, 402 F.2d 125 (8th Cir. 1968), *cert. denied*, 394 U.S. 917, 89 S.Ct. 1191, 22 L.Ed.2d 452 (1969).

Moreover, the Court must consider why preclusive effect could not be granted to the determination of the ITC on patent questions under the doctrine of administrative *res judicata*. The ITC was acting in a judicial capacity when it considered the question involving the validity of the '071 patent, thus, even without the decision of the Federal Circuit, under the precedent of the Supreme Court it initially appears preclusive effect could be given to the ITC determination. See *United States v. Utah Constr. Co.*, 384 U.S. at 422, 86 S.Ct. at 1560 (when administrative agency acts in judicial capacity and resolves disputed issues of fact before it which parties had full and fair opportunity to litigate *res judicata* appropriate); see generally Stein, Mitchell & Mezines, *Administrative Law* § 4.01, at 40-3 (1988) (administrative *res judicata* bars relitigation of same cause of action between same parties or their privies if final judgment on merits; bar extends to relitigation in administrative as well as judicial proceedings).

Having set forth the primary reasons why preclusive effect should be given to the ITC finding of invalidity, the Court now turns to the reasons why the affirmance by the Federal Circuit of the ITC determination does not preclude fresh consideration by this Court of the '071 patent.

The applicable jurisdictional statute for the federal District Courts in patent matters is 28 U.S.C. § 1338 (1982). Congress placed original and exclusive (as to the states) jurisdiction over patent matters in federal District Courts. *Id.*¹³ Appeals of determinations of patent

¹³ In section 1338(a) Congress in part provided: "The district court shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trade-marks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases." The power of Congress to pass patent statutes is derived from Article 1, Section VIII, Clause 8 of the Constitution which grants Congress the power "[t]o promote the Progress

questions by federal District Courts may be taken to the Court of Appeals for the Federal Circuit. 28 U.S.C. § 1292(c) (2) (1982).

Original jurisdiction over unfair practices in import trade lies exclusively with the ITC. 19 U.S.C. §§ 1332(b), 1337 (1982).¹⁴ Appeals from ITC decisions must also be taken to the Court of Appeals for the Federal Circuit. 19 U.S.C. § 1337(c) (1982). Section 337 gives the ITC authority to determine patent validity and enforceability questions only for the limited purpose of the administration of section 337. Patent invalidity is a statutory defense rather than a regulatory duty on the part of the ITC. *Corning Glass Works v. U.S. Intern. Trade Com'n*, 799 F.2d 1559, 1566-67 (Fed. Cir. 1986).

The question the ITC examines under section 337 and the question the District Court examines under section 1338 are thus quite different in both form and substance. That is, Congress, in promulgating the jurisdictional parameters for the ITC and the federal District Courts, created two separate jurisdictions to consider two distinct questions: jurisdiction over unfair trade acts lies with the ITC while jurisdiction over the validity, enforceability and infringement of patents lies with the federal District Courts. See *Ashlow Ltd. v. Morgan Const. Co.*, 672 F.2d

of Science and useful Arts, by securing for limited times for Authors and Inventors the exclusive Right to their respective Writings and Discoveries."

¹⁴ Title 19, section 1337(a) of the United States Code provides: Unfair methods of competition and unfair acts in the importation of articles into the United States, or in their sale by the owner, importer, consignee, or agent of either, the effect or tendency of which is to destroy or substantially injure an industry, efficiently and economically operated, in the United States, or to prevent the establishment of such an industry, or to restrain or monopolize trade and commerce in the United States, are declared unlawful, and when found by the commission to exist shall be dealt with, in addition to any other provisions of law, as provided in this section.

371, 375 (4th Cir. 1982) (neither federal court nor ITC may transgress upon jurisdiction of other); *Telectronics Proprietary, Ltd. v. Medtronic, Inc.*, 687 F. Supp. 832, 846 n.42 (S.D.N.Y. 1988) (same); see generally Kaye, Lupo & Lipnian, "The Jurisdictional Paradigm Between the United States International Trade Commission and Federal District Courts", 64 J. Pat. Off. Soc'y 118 (1982) (discussing jurisdictional conflict between ITC and federal District Courts). As this Court stated in a prior proceeding in this action, "[w]hile the ITC makes a 'determination' as to patent issues, it has no jurisdiction to make a binding adjudication in patent matters." *In re Convertible Rowing Exerciser Patent Lit.*, 616 F. Supp. 1134, 1140 (D. Del. 1985).

Other courts have also recognized that ITC determinations as to patent validity have no effect upon the ability of federal courts to hear questions of patent validity in the same case involving the same parties in the context of its exclusive jurisdiction under section 1338. See, e.g., *Union Mfg. Co., Inc. v. Han Baek Trading Co., Ltd.*, 763 F.2d 42, 45 (2d Cir. 1985) (ITC unfair trade practice and trademark determinations are binding but patent findings "properly not accorded *res judicata* effect because the ITC has no jurisdiction to determine patent invalidity except to the limited extent necessary to decide a case otherwise properly before it"); *Telectronics Proprietary Ltd.*, 687 F. Supp. at 846 n.42 (ITC may consider issues of patent validity only to extent such issues impact upon unfair competition claims); *Glasstech, Inc. v. AB Kyro Oy*, 635 F. Supp. 465, 468 (N.D. Ohio 1986) (although ITC proceedings finding patent valid under section 337 not *res judicata*, proper to draw inference based on ITC decision as to probability of success on merits).

The legislative history of the Trade Reform Act of 1974 also expressly limits the intrusion of ITC determi-

nations of patent questions upon the original jurisdiction of the federal District Courts over patent matters.¹⁵

The commission is not, of course, empowered under existing law to set aside a patent as being invalid or to render it unenforceable, and the extent of the Commission's authority under this bill is to take into consideration such defenses and to make findings thereon for the purpose of determining whether § 337 is being violated. . . . The Commission's findings neither purport to be, nor can they be, reargued as binding interpretations of the U.S. patent laws in particular factual contexts. Therefore, it seems clear that any disposition of a Commission action by a Federal Court should not have a *res judicata* or collateral estoppel effect in cases before such courts.

S. Rep. No. 1298, 93d Cong., 2d Sess. 196 (1974); 1974 U.S. Code Cong. & Admin. News 7186, 7329.

The ITC therefore possesses strictly limited jurisdiction with regard to patent issues and any such determinations by the ITC have a similarly limited effect in patent matters before the federal District Courts. For this Court to grant preclusive effect to the ITC determination on the '071 patent would be to drastically revise the scope

¹⁵ The statutes relevant to this proceeding provide no guidance in their language as to what preclusive effect any ITC determination should have. Here, a conflict exists between two statutes promulgated by Congress. A determination of legislative intent cannot be made from the statutory language. It is therefore appropriate for the Court to examine the relevant underlying legislative history. *Cf. Garcia v. United States*, 469 U.S. 70, 75, 105 S.Ct. 479, 482, 83 L.Ed.2d 472 *reh'g denied*, 469 U.S. 1230, 105 S.Ct. 1235, 84 L.Ed.2d 371 (1984) (judicial inquiry into legislative history where terms of statute unambiguous only proper in rare and exceptional circumstances); *TVA v. Hill*, 437 U.S. 153, 187 n.33, 98 S.Ct. 2279, 2298 n.33, 57 L.Ed.2d 117 (1978) (same); *Vance v. Hegstrom*, 793 F.2d 1018, 1023 (9th Cir. 1986) ("[t]he plain meaning of the words chosen by Congress is controlling in the absence of a clearly expressed legislative intent.").

of ITC jurisdiction in patent matters granted by Congress. S. Rep. No. 1298, 93d Cong., 2d Sess. 196 (1974); 1974 Code Cong. & Admin. News 7186, 7329. In order to preserve the jurisdictional structure intended by Congress in patent matters, this Court must deny preclusive effect to the ITC determination.

Upholding the ITC determination as to patent validity by the Federal Circuit similarly does not entitle the ITC determination to preclusive effect. Ordinarily this Court is bound by decisions of the Federal Circuit because it is the court to which appeals on patent issues from the District Courts are taken. 28 U.S.C. § 1292(c)(2) (1982). However, the Federal Circuit has specifically stated that its appellate treatment of ITC determinations as to patent validity does not estop other tribunals from considering anew the question of patent validity. *Tandon Corp. v. U.S. Intern. Trade Com'n*, 831 F.2d 1017, 1019 (Fed. Cir. 1987) (citing *Lannom Mfg. Co., Inc. v. U.S. Intern. Trade Com'n*, 799 F.2d 1572, 1577-78 n.12 (Fed. Cir. 1986)).

The questions on review before the Federal Circuit from the ITC and District Court are different. The Federal Circuit reviews District Court decisions under section 1338 with regard to patent validity, enforceability and infringement; whereas, the Federal Circuit reviews whether the ITC made the correct determination under section 337 as to unfair trade practices in import trade. Thus, this Court cannot properly accord preclusive effect to a Federal Circuit affirmance of an ITC determination when the question on appeal before the Federal Circuit from an ITC determination differs substantially in both form and substance from the question on appeal from a District Court patent adjudication. Also, the legislative history of the Trade Reform Act of 1974 provides that ITC determinations should not estop other federal courts from reviewing the same patent. S. Rep. No. 1298, 93d Cong., 2d Sess. 196 (1974), 1974 U.S. Code Cong. &

Admin. News 7186, 7329.¹⁶ Therefore, this Court could not properly accord preclusive effect to the ITC determination affirmed by the Federal Circuit.¹⁷

An ITC proceeding under section 337 involving a patent raises questions of unfair trade practices which is distinct in both form and substance from the question before a federal District Court under section 1338; therefore, administrative *res judicata* is inappropriate. See *Union Mfg. Co.*, 763 F.2d at 45 (ITC patent findings “properly not accorded *res judicata* effect because the

¹⁶ This legislative history is not as persuasive as it might seem because its dates from prior to the passage of the Federal Courts Improvement Act which established the Federal Circuit as the appellate court for both patent questions and ITC determinations. However, the Federal Circuit has adopted this legislative history to support its position that appellate treatment of ITC determinations as to patent validity does not estop other tribunals from considering the question of patent validity in a section 1338 proceeding. *Tandon*, 831 F.2d at 1019.

¹⁷ The ITC does not notify the Commissioner of Patents and Trademarks (the “Commissioner”) of the institution of its determinations in section 337 cases involving patents. Also, the Federal Circuit does not notify the Commissioner of the filing of any appeal of an ITC section 337 determination involving a patent or of the Federal Circuit’s judgment in such an appeal. Dkt. 99 (Letter to Court from James A. Toupin, Asst. Gen. Counsel, U.S. International Trade Commission—Amicus Curiae). Under 35 U.S.C. § 290 (1982), courts of the United States must notify the Commissioner of both the filing of a patent action and the judgment entered therein. Section 290 only requires notice with respect to actions under Title 35. 35 U.S.C. § 290. Section 337 proceedings at the ITC are not actions under Title 35; rather, they are administrative proceedings under Title 19. Therefore, no notice of the Commission’s determinations or review thereof is necessary for purposes of providing a record in the U.S. Patent and Trademark Office as to whether a patent remains valid pursuant to Title 35. Dkt. 99. This minor administrative detail supports the conclusion that the ITC and federal District Courts consider completely distinct issues and consequently preclusive effect should not be granted to ITC determinations on patent invalidity even where that determination is affirmed by the Federal Circuit.

ITC has no jurisdiction to determine patent invalidity except to the limited extent necessary to decide a case otherwise properly before it"); *Telectronics Proprietary Ltd.*, 687 F.Supp. at 846 n. 42 (same); *Glasstech, Inc.*, 635 F.Supp. at 468 (although ITC proceedings finding patent valid under section 337 not *res judicata*, proper to draw inferences based on ITC decision as to probability of success on merits); see also *Ashlow Ltd.*, 672 F.2d at 375 (neither federal court nor ITC may transgress upon jurisdiction of other).

The Court similarly rejects application of *Blonder-Tongue* to the case at issue. First, *Blonder-Tongue* cannot apply to the immediate case because the issues litigated at the ITC and affirmed by the Federal Circuit are not the issues this Court will examine on the merits in the instant case. The ITC only considered the patent issue to the extent it needed to exercise its jurisdiction under section 337. The question on the merits in the instant case before this Court will involve solely an inquiry into patent issues under section 1338. See *Union Mfg. Co.*, 763 F.2d at 45; *Telectronics Proprietary Ltd.*, 687 F.Supp. at 846 n. 42; *Glasstech, Inc.*, 635 F.Supp. at 468. The issues the ITC considered and this Court will consider are different in both form and substance; therefore, *Blonder-Tongue* does not apply. Second, *Blonder-Tongue* is not applicable because it precluded relitigation in a District Court of a holding of patent invalidity by another District Court. *Id.* This Court will not extend *Blonder-Tongue* to include a determination of patent invalidity by an administrative agency based upon jurisdiction apart from section 1338.

CONCLUSION

The statements by Congress and the courts as to the effect of ITC determinations under section 337 upon the exclusive jurisdiction of the federal District Courts in patent matters and the stark contrast in both form and

substance between questions on appeal before the Federal Circuit from the ITC and District Court lead this Court to deny Defendants' summary judgment motion. This Court consequently holds that where the ITC makes a determination under section 337 of the Trade Reform Act of 1974 that a patent is invalid and is affirmed by the Federal Circuit, a federal District Court is not estopped from adjudicating the question of the validity of the same patent under its original and exclusive (as to the states) jurisdiction found in 28 U.S.C. § 1338 (1982). An order will be entered denying Defendants' summary judgment motion and staying this action pursuant to 28 U.S.C. § 1292(b) (1982) pending review of the issue resolved in this opinion by the Federal Circuit, assuming the parties appeal the Court's decision.

APPENDIX D

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

Master file No. Misc. 85-14
(MDL Docket No. 623)

IN RE CONVERTIBLE ROWING
EXERCISER PATENT LITIGATION

ORDER

NOW, THEREFORE, for the reasons set forth in the
Court's Opinion issued this date,

IT IS ORDERED that:

1. Defendants Ajay Enterprises Corporation and
Weslo, Inc.'s motion for summary judgment is denied.

2. The action is stayed pursuant to 28 U.S.C. § 1292
(b) (1982) pending review of the issue resolved in this
Opinion by the Court of Appeals for the Federal Circuit,
assuming the parties appeal the Court's ruling.

Aug. 31, 1989

/s/ Joseph J. Longobardi
JOSEPH J. LONGOBARDI, D.J.

APPENDIX E

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE**

Master file No. Misc. 85-14
(MDL Docket No. 623)

IN RE CONVERTIBLE ROWING
EXERCISER PATENT LITIGATION

AMENDED ORDER

WHEREAS, on August 31, 1989, the Court rendered an opinion on Defendants' motion for summary judgment; and

WHEREAS, the Defendants moved to vacate and modify the Order of August 31, 1989. On September 9, 1989, the Court vacated and recalled its Order of August 31, 1989; and

WHEREAS, the parties having had the opportunity for briefing and the matter having been decided,

IT IS ORDERED that:

1. Defendants' motion for summary judgment filed January 27, 1988, be and the same is denied for the reasons set forth in the Court's Opinion dated August 31, 1989.

2. The motion to amend the Order of August 31, 1989, so as to reflect certification under 28 U.S.C. § 1292(b) is granted.

3. The August 31, 1989, Opinion and this Amended Order based in part on the ruling on the motion to va-

cate and modify dated this same date involves a controlling question of law as to which there is a substantial ground for difference of opinion and an immediate appeal from this amended Order may materially advance the ultimate termination of this litigation.

4. The Defendants may seek appeal under 28 U.S.C. 1292 (b).

5. This action is stayed pending the appeal or until further order of the Court.

10/12/89

/s/ Joseph J. Longobardi
JOSEPH J. LONGOBARDI, D.J.

APPENDIX F

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE**

Master file No. Misc. 85-14
(MDL Docket No. 623)

IN RE CONVERTIBLE ROWING
EXERCISER PATENT LITIGATION

MEMORANDUM OPINION

On September 7, 1989, the Defendants filed a motion requesting the Court to amend its Order of August 31, 1989. On September 9, 1989, the Court vacated and recalled its Order of August 31, 1989, and awaited briefing on the motion.

The question that is contested is whether the Court should certify to the Federal Court of Appeals what would otherwise be an interlocutory ruling. The decision is one that has not previously been addressed by the Federal Circuit.

The question is a controlling question because, if reversed, the litigation would be precluded in this District Court. Considering the complexity of this patent litigation, the number of parties involved and the multitude of issues that would be affected, the Court is convinced that a disposition of this matter on appeal, one way or another, could materially affect the outcome of this case. It could materially advance the ultimate termination of this litigation.

The Court also finds that there is substantial ground for difference of opinion. There may not be much or any difference of opinion because the legal issue has not been directly ruled upon by the Federal Circuit. Considering, however, the prior law on issue and claim preclusion, a substantial basis for the counter-argument can be made.

The motion to amend is granted.

10/12/89

/s/ Joseph J. Longobardi
JOSEPH J. LONGOBARDI, D.J.

APPENDIX G

UNITED STATES DISTRICT COURT
D. DELAWARE

Civ. A. No. 85-119 MMS
Master File No. Misc. 85-14
MDL No. 623

IN RE CONVERTIBLE ROWING EXERCISER PATENT
LITIGATION

DIVERSIFIED PRODUCTS CORPORATION, *et al.*,
Plaintiffs,

v.

WESLO DESIGN INTERNATIONAL, INC., a Utah Corporation,
Defendant.

July 23, 1985

OPINION

MURRAY M. SCHWARTZ, Chief Judge.

The question presented is whether an order should be entered staying or suspending an ongoing investigation by the United States International Trade Commission ("ITC") under section 337 of the Tariff Act of 1930, 19 U.S.C. § 1337 ("section 337"), by reason of parallel patent litigation in the district court. The investigation was initiated by a complaint filed with the ITC in December, 1984, by Diversified Products Corporation ("Diversified") against ten respondents, one of whom is Weslo

Design International, Inc. ("Weslo"), the movant in these proceedings.

The complaint before the ITC alleges unfair acts and methods of competition in the importation of articles into the United States, or in their sale, the effect or tendency of which is to destroy or substantially injure an efficient and economically operated United States industry. The proceedings center upon the importation and sale in the United States of convertible rowing exercisers¹ which allegedly infringe U.S. Patent No. 4,477,071 (" '071 patent"), issued on October 16, 1984, and a related patent, U.S. Patent No. 4,488,719 (" '719 patent"), issued on December 18, 1984. Docket Item ("Dkt.") 22, Exh. A.

Diversified seeks from the ITC an exclusion order permanently preventing the entry into the United States of convertible rowing exercisers which infringe the claims of the '071 and '719 patents, and a cease and desist order permanently prohibiting the respondents from engaging in unfair competition and selling their existing allegedly infringing convertible rowing exercisers in the United States. *Id.*

The '071 and '719 patents have also generated substantial litigation at the district court level. Soon after the issuance of the '071 patent, plaintiffs Brown Fitzpatrick Lloyd Patent Ltd. and its allegedly exclusive licensee, Diversified Products Corporation (hereafter jointly referred to as Diversified), filed infringement actions against ten defendants in eight different jurisdictions.² On February 13, 1985, the Judicial Panel for

¹ A convertible rowing exerciser permits the user to engage in rowing and a variety of other popular exercises.

² Suits have been filed against the following defendants in the jurisdictions indicated:

Rocket Industries, Inc. (C.D. Calif.)
Roadmaster, Inc. (S.D. Ill.)

Multidistrict Litigation, on motion of Diversified, ordered seven of the actions transferred to the District of Delaware for coordinated or consolidated pretrial proceedings pursuant to 28 U.S.C. § 1407.³

In March, 1985, Diversified filed suit for infringement of the '719 patent against three defendants, all of whom were previously sued on the '071 patent.⁴ These three "tag-along" actions were brought in three separate jurisdictions but have been transferred to this district by order of the Multidistrict Panel.⁵

Weslo has the misfortune of being the only named defendant common to the ITC investigation and the district court patent litigation. Shortly before the Multidistrict Panel transferred the patent action, Weslo had moved to stay discovery and to dismiss the '071 patent action pending against it in the District of Utah on the ground of non-infringement. The fully briefed motion to dismiss

² [Continued]

Columbia Manufacturing Co. (D. Mass.)
 Beacon Enterprises, Inc., and Saw Mill River
 Industries, Inc. (S.D.N.Y.)
 Billard Barbell Co. (E.D. Pa.)
 Walton Manufacturing Co. (N.D. Tex.)
 Weslo Design International, Inc. (D. Utah)
 Ajay Enterprises Corporation (D. Del.)
 Allegheny International Exercise Company (D. Del.)

In addition, a declaratory judgment action was filed in the Northern District of Illinois by Ajay Enterprises Corporation against Diversified. It is anticipated the Illinois action will find its way to this Court for pretrial purposes.

³ Misc. 85-14 MMS, Dkt. 1.

⁴ The '719 defendants and the districts in which they were sued are: Billard Barbell Co. (E.D. Pa.), Weslo Design International, Inc. (D. Utah), and Allegheny International Exercise Company (D. Del.).

⁵ The Panel's conditional order of transfer of the Eastern District of Pennsylvania and District of Utah '719 patent actions became final on May 28, 1985. Misc. 85-14, Dkt. 34.

had been converted to a motion for summary judgment by reason of the filing of affidavits. Transfer occurred before argument was held.⁶

Weslo, as the only active respondent in the ITC investigation, filed a motion with the ITC on March 15, 1985, to suspend the investigation. Dkt. 22, Exh. B. By order dated March 29, 1985, the ITC Administrative Law Judge ("ALJ") suspended proceedings as to Weslo except as a party obligated to produce discovery. *Id.* The suspension order was reviewed and reversed by the ITC on May 1, 1985. Dkt. 33, Exh. 1. The ITC investigation has been in discovery and is currently scheduled for hearing on August 5, 1985, before an ALJ.

Weslo now requests similar relief from this Court. It seeks a halt of the ITC investigation until final disposition of this action. Specifically, Weslo requests an injunction prohibiting Diversified from going forward or participating in the ITC investigation and an order directing Diversified to withdraw without prejudice its ITC complaint until final disposition of the district court patent litigation. Alternatively, it requests a suspension or stay of the ITC investigation "as to Weslo and any and all of its suppliers and/or vendors pending final disposition" of the district court litigation.⁷ Dkt. 22 at 21-22. Analytically, irrespective of the terms used, Weslo seeks two injunctions, either of which for all practical purposes

⁶ Weslo requested that its motion be given a prompt hearing in this Court. Taking a larger view of the entire convertible rowing exerciser litigation, the Court declined for administrative and substantive reasons to hear summary judgment motions on a piecemeal basis where predicated on non-infringement. *Cf. D.M.I. v. Deere & Co.*, 755 F.2d 1570 (Fed. Cir. 1985) (because infringement is a fact issue, a motion for summary judgment should be approached with care "proportioned to the likelihood of its being inappropriate").

⁷ The ITC has intervened in this action for the limited purpose of opposing Weslo's motion to stay or suspend the ITC proceedings. Dkt. 29.

would achieve its goal—an injunction which would cause Diversified to impede or halt the ITC investigation or an injunction directed to the ITC ordering it to suspend its investigation.

ITC investigations, such as *In re Convertible Rowing Exercisers*, are instituted by the ITC either on its own initiative or after receipt of a proper complaint which the ITC has evaluated for its sufficiency. There are three groups of parties to the investigation—complainants, respondents, and the ITC investigative attorney, the latter participating as a full party in all section 337 investigations for the purpose of safeguarding the public interest. If instituted, the section 337 matter is referred to an ALJ who conducts the investigation, including the hearing. *See generally* 19 C.F.R. §§ 201.10-15 (1984). The investigation, conducted in conformity with the Administrative Procedure Act, 5 U.S.C. §§ 551-559 (1982), confers a broad range of rights upon the parties, including, *inter alia*, a period of discovery, the right to present evidence, a hearing on the record, and the right to compel testimony. 19 C.F.R. §§ 210.30-44 (1984). The parties to the investigation may raise “all legal and equitable defenses.” 19 U.S.C. § 1337(c).

JURISDICTION TO ENJOIN THE ITC DIRECTLY

As a threshold matter, the Court must determine whether a federal district court may suspend an ITC investigation or directly enjoin the ITC from going forward with its investigation as to Weslo. Congress did provide that an ITC investigation could be “suspended because of proceedings in a court or agency of the United States involving similar questions concerning the subject matter of such investigation.” 19 U.S.C. § 1337(b)(1). Although the statute is silent as to who may suspend, it is clear from the context that the ITC may suspend its own investigation. In addition, the legislative history indicates that “suspension of proceedings may be under-

taken by the Commission . . . as a result of a court order." Senate Comm. on Finance, U.S. Senate Report on H.R. 10710, Trade Reform Act of 1974, S. Rep. No. 1298, 93d Cong., 2d Sess. 194-95 (1974), *reprinted in* 1974 U.S. Code Cong. & Ad. News 7186, 7326, 7327. The legislative history does not, however, provide any indication of which court, under what circumstances, may order suspension of an ITC proceeding. It follows that the above quoted language from the legislative history is not in itself sufficient evidence that Congress has vested jurisdiction in the district court to suspend an ITC investigation.

Weslo's position is advanced no further if the request for an order of suspension is characterized as an injunction. The issue then becomes whether a federal district court has jurisdiction to enjoin an agency from pursuing its congressionally mandated task. Weslo has pointed to no statute which expressly confers jurisdiction on the Court. Subject matter jurisdiction, if any, must be found in the All Writs Act, 28 U.S.C. § 1651.⁸

The ITC argues a district court does not have jurisdiction under the All Writs Act to enjoin an ongoing ITC proceeding. It correctly observes that Congress has vested in the ITC exclusive jurisdiction over certain practices involving the importation of articles of commerce into the United States and has placed appellate review of the ITC's sphere of activity in the Court of Appeals for the Federal Circuit. The ITC then reasons that since the All Writs Act only endows the court with authority to act in preservation of jurisdiction which it already

⁸ 28 U.S.C. § 1651 provides:

(a) The Supreme Court and all courts established by Act of Congress may issue all writs necessary or appropriate in aid of their respective jurisdictions and agreeable to the usages and principles of law.

(b) An alternative writ or rule nisi may be issued by a justice or judge of a court which has jurisdiction.

possesses, the district court remains powerless to attempt to preserve jurisdiction it does not possess.

While having superficial appeal, the ITC position sweeps too wide. The question is not whether the district court may invoke the authority of the All Writs Act to preserve jurisdiction it does not have, but rather whether on these facts there is a need to invoke the Act to preserve jurisdiction which the court *does* have. Clearly a district court may not address certain questions concerning the importation of articles of commerce into the United States. Congress has placed exclusive jurisdiction over such questions in the ITC and a federal district court has no jurisdiction under the All Writs Act to intrude upon the ITC's domain.

The issue here, however, is whether the district court has jurisdiction to enjoin the ITC in aid of its own exclusive jurisdiction over domestic patent matters. Conceivably, ITC proceedings might actively interfere with concurrent patent litigation to such an extent that a federal district court could not effectively exercise its jurisdiction. In those instances, a district court could well be justified in invoking its powers under the All Writs Act. Such an occurrence is unlikely in view of the policy of the ITC to suspend its investigations when there is actual and active interference with ongoing concurrent district court litigation. See *Certain Card Data Imprinters and Components Thereof*, 47 Fed. Reg. 7348 (1982) (suspension of Investigation No. 337-TA-104); *Certain Plastic Fastener Assemblies*, 42 Fed. Reg. 55654 (1977) (suspension of Investigation No. 337-TA-36).

Moreover, there is no indication on this record that the ITC investigation will in any way frustrate or impinge upon federal district court administration of this particular multidistrict litigation. The first pretrial conference was held on May 10, 1985. At that conference August 10, 1986, was established as the discovery termi-

nation date. In contrast, the ITC, mindful of its statutory duty to render a decision within twelve months (eighteen months in more complicated cases), 19 U.S.C. § 1337(b)(1), has scheduled a hearing to commence on August 5, 1985. Regardless of whether the hearing is continued, there appears to be no chance that the ITC proceeding will actively interfere with the conduct of the multidistrict litigation now pending in this district. What is actually at stake here is not the preservation of the district court's jurisdiction, but the protection of Weslo from the inconvenience of responding in two tribunals at the same time. The All Writs Act, however, serves to protect courts and not parties. As a consequence, the All Writs Act provides no basis upon which to exercise jurisdiction and the Court is left without power under these circumstances to directly enjoin, suspend or stay the ITC investigation.

ENJOINING OF DIVERSIFIED

It is argued that if the Court lacks jurisdiction to enjoin the ITC directly, it lacks jurisdiction to enjoin Diversified from pursuing its ITC remedy. In other words, Weslo should not be permitted to accomplish indirectly that which it could not do directly. This argument is too facile. While an injunction against Diversified would represent an interference with the ITC investigation, this fact alone would not be conclusive. The issue here is not the lack of jurisdiction to issue an injunction but the existence of sufficient reason to cause the Court to grant such extraordinary relief.

Central to Weslo's assertion of its right to have Diversified enjoined from pursuing it in the ITC action is its protest against being a named defendant in parallel proceedings. Weslo contends the simultaneous ITC and district court actions include substantially the same factual and legal questions. Weslo objects to the use of two fora to determine the same issues. Specifically, Weslo asserts

the ITC, like the district court, will have the task of determining the validity and enforceability of the '071 and '719 patents, as well as Weslo's alleged infringement of the patent claims. It follows, argues Weslo, that because the issues in both fora are the same, discovery and witnesses will be substantially identical and any relief afforded by the ITC will be inclusive of that sought in the district court. Indeed, urges Weslo, there is no material difference between the ITC and district court matters.

Weslo is partially correct. Whenever a claim of unfair practice in import trade is premised upon infringement of a United States patent, there is an unavoidable overlap of the issues involved in parallel patent proceedings. The ITC is confronted with the necessity for making a "determination" as to the validity, infringement and, if applicable, enforceability of the identical patents which are at issue in the district court. This overlap of issues in the ITC and district court is where the similarity ends. The two proceedings have different jurisdictional foundations, different final adjudications, different purposes, different proof, different time constraints, different remedies, and different issues on appeal.

Differing Jurisdiction

Patent law is based upon article 1, section VIII, clause 8 of the Constitution which grants to Congress the power "[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." Congress placed original jurisdiction over patent actions exclusively in the federal district courts. 28 U.S.C. § 1338(a). Only a federal district court may adjudicate patent validity, enforceability and infringement issues. Appeal of the district court decision may be taken to the Court of Appeals for the Federal Circuit. 28 U.S.C. § 1292(c) (2).

Original jurisdiction over unfair practices in import trade lies exclusively with the ITC. 19 U.S.C. §§ 1332(b), 1337. Appeals from ITC decisions may also be taken to the Court of Appeals for the Federal Circuit. 19 U.S.C. § 1337(c). While the ITC makes a "determination" as to patent issues, it has no jurisdiction to make a binding adjudication on patent matters. Neither a federal district court nor the ITC may transgress upon the jurisdiction of the other. *Ashlow, Ltd. v. Morgan Construction Co.*, 672 F.2d 371, 375 (4th Cir.1982).

Differing Purposes

Given their respective mutually exclusive jurisdictions, it is not surprising each forum makes vastly different adjudications. A district court decides validity, enforceability and infringement of United States patents. The district court determination has no extraterritorial effect.

In contrast, an ITC investigation of allegedly unfair competition based upon patent infringement always contains an international element. The ITC's focus is on preventing importation of the patented article by anyone, foreign or domestic, in competition with a domestic patentee or licensee. If unfair methods of competition are found to injure a patentee in an economically operated United States industry, the ITC may, within its statutory limitations, fashion a remedy to protect United States domestic industry against unfair foreign competition.

Differing Proof and Timing

Proof in a district court patent case always centers on and is limited to validity, enforceability, and infringement. There are no statutory time limits governing patent litigation and often the cases span several years. In many patent cases, including this convertible rowing exerciser multi-district litigation, the trial is bifurcated and the damage issue is postponed until liability is ascertained. See Dkt. 36.

The time constraints upon and determinations made by the ITC are unlike those of the district court. In the absence of a suspension of proceedings, the ITC must determine within twelve months (eighteen months in complicated cases) whether: (1) there are imports into the United States; (2) there is an industry in the United States; (3) there are unfair acts or methods of competition; (4) the effect or tendency of the unfair acts or methods of competition is to destroy or substantially injure the industry; and (5) the industry is efficiently and economically operated. *See* 19 U.S.C. § 1337(a), (b).⁹ If the ITC is unable to make affirmative findings as to each and every component of the injury, it may not, under its limited statutory authority, issue a remedial order. If a remedy is appropriate, the ITC may either order the exclusion of the subject articles from entry into the United States or direct one or more of the parties to cease and desist from the unfair practices.

Before issuing a remedial order, however, the ITC is required to evaluate the impact of such an order on the public interest. Specifically, the ITC must consider the effect of a remedial order "upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers. . . ."

⁹ 19 U.S.C. § 1337(a) provides:

(a) Unfair methods of competition and unfair acts in the importation of articles into the United States, or in their sale by the owner, importer, consignee, or agent of either, the effect or tendency of which is to destroy or substantially injure an industry, efficiently and economically operated, in the United States, or to prevent the establishment of such an industry, or to restrain or monopolize trade and commerce in the United States, are declared unlawful, and when found by the commission to exist shall be dealt with, in addition to any other provisions of law, as provided in this section.

The statutory time period provided in 19 U.S.C. § 1337(b) begins to run upon publication of notice of the investigation in the Federal Register. 19 U.S.C. § 1337(b).

19 U.S.C. § 1337(d), (f) (1). The ITC determination and remedy are then transmitted to the President, who has sixty days in which he may disapprove the ITC's determination or order for "policy reasons." 19 U.S.C. § 1337 (g). If the President approves the ITC determination, a party adversely affected by a final determination of the ITC may appeal to the Court of Appeals for the Federal Circuit within sixty days. 19 U.S.C.A. § 1337(c) (Supp. 1985). The appeal is limited to issues determined by the ITC. *Beloit Corp. v. Valmet Oy*, 742 F.2d 1421 (Fed. Cir.1984).

It is evident from the above discussion that the elements of proof and consequent discovery are far more expansive in the ITC proceeding than in the district court. The two proceedings overlap only insofar as both consider whether there have been unfair acts or methods of valid competition—the district court in the context of determining whether a domestic patent has been infringed, and the ITC in determining whether articles have been imported which infringe a domestic patent. The two fora have in common proof of patent validity, enforceability, infringement, and defenses to the same. Proof on all other issues before the ITC are not relevant to the district court patent inquiry. In short, the adjudication within the exclusive jurisdiction of the district court is but one relevant component of the ITC investigation.

Differing Remedies

A successful plaintiff in a district court infringement action may obtain *in personam* injunctive and monetary relief against a defendant for infringement which occurs in the United States. If the statutory life of the patent has not expired, the district court will generally enjoin future infringement and award damages for past infringement. Compliance with the district court's order is left to the plaintiff to police.

A complainant in an ITC action who successfully establishes an unfair method of competition or unfair act of importation or sale of imported items and otherwise qualifies for a remedial order can normally obtain an exclusion order, 19 U.S.C. § 1337(d), or a cease and desist order, 19 U.S.C. § 1337(f) (1).¹⁰ An exclusion order is typically an *in rem* remedy directing the exclusion from entry into the United States of any infringing product. Since it is directed to exclusion of the product, it is not limited to the respondents named before the ITC. Responsibility for excluding entry into the United States of the offending item is placed upon the Secretary of the Treasury, not the complainant. 19 U.S.C. § 1337(d). An ITC cease and desist order is analogous to a district court injunction in that the ITC respondents are in effect enjoined from further committing the acts enumerated in the ITC complaint or, in appropriate circumstances, are enjoined from selling existing inventories of infringing items.

Differing Issues on Appeal

Prior to passage of the Federal Court's Improvement Act of 1982, Pub.L. No. 97-164, it was recognized that the overlap between the ITC and the district courts with regard to patent matters contained the potential for intriguing problems. See, Kaye, Lupo and Lipman, *The Jurisdictional Paradigm Between the United States International Trade Commission and the Federal District Courts*, 64 J.Pat.Off.Soc'y 118 (1982). The Federal Courts Improvement Act placed jurisdiction to hear appeals from both types of actions in the same court, the Court of Appeals for the Federal Circuit. See 28 U.S.C. § 1295(a) (1), (6).

¹⁰ During the course of an ITC section 337 investigation, the Commission may determine there is reason to believe there is a violation of the statute and may direct that the articles concerned be excluded from entry into the country except under bond. See 19 U.S.C. § 1337(e).

Although appeals must now be taken to the same court, the fact remains that appeals from ITC matters and appeals from district court patent proceedings cover different issues. Such is not surprising, given the differing jurisdictions, purposes, issues, proof and remedies afforded by the two tribunals. Broadly stated, the Court of Appeals for the Federal Circuit may review district court adjudications of patent validity, enforceability and infringement for erroneous findings of fact and errors of law. The issue on appeal from an ITC decision is whether the ITC made the correct determination with respect to unfair practices in import trade, and issued an appropriate remedial order under section 337 of the Tariff Act of 1930, 19 U.S.C. § 1337. Because the question on review from the two fora is different and since the district court has exclusive original jurisdiction over patent matters, it necessarily follows the appellate court cannot render a binding determination on the issues of patent validity, enforceability and infringement on an appeal from the ITC.

Weslo has nevertheless articulated concern about the evolving law of issue preclusion. Weslo contends that the potential for serious intrusion upon the exclusive original jurisdiction conferred by Congress upon the district court is exacerbated by the fact that appeals from the ITC and district court are now heard by the same appellate court. Appeal of the later filed ITC action will in all probability precede any appeal of the district court judgments in the patent actions. The appellate court might well have to pass upon issues of patent validity, enforceability and infringement of the '071 and '719 patents as a component of reviewing an ITC section 337 determination of unfair practices in trade imports. If it does, argues Weslo, when appeal of the district court matter reaches the Court of Appeals for the Federal Circuit, the court might refuse to undo what has already been done on appeal from the ITC matter. *See Stevenson v. Sears, Roebuck & Co.*, 713 F.2d 705, 710 n. 4 (Fed.Cir.1983).

The fact that the law of issue preclusion is evolving does not warrant issuance of an injunction. The Court of Appeals for the Federal Circuit has not as yet applied any preclusion doctrine in this context. Undoubtedly, when the court does consider the preclusive effect of its rulings on an ITC appeal, it will take into account the jurisdictional thicket. The appellate court might well determine that the parties to an ITC proceeding "failed to carry their burden of persuasion in asserting the invalidity of the subject claims," *Stevenson v. International Trade Commission*, 612 F.2d 546, 555 (C.C.P.A.1979), and still conclude on a later appeal from a district court, based on a conceivably different record, that the patent is invalid.¹¹ See *Stevenson v. Sears, Roebuck & Co.*, *supra* (reconciling inconsistent holdings of *Stevenson v. International Trade Commission*, 612 F.2d 546 (C.C.P.A. 1979), and *Stevenson v. Grentec, Inc.*, 652 F.2d 20 (9th Cir.1981), *cert. denied*, 456 U.S. 943, 102 S.Ct. 2008, 72 L.Ed. 465 (1982)). Moreover, given that the Court of Appeals for the Federal Circuit might understandably be reluctant to undo a prior ITC section 337 patent determination, this only means a district court would do well to heed the "red flag." A district court might accordingly demand that trial counsel thoroughly explain 1) the differences in the record; 2) why those differences were not presented to the ITC and to the Court of Appeals for the Federal Circuit; and 3) why the differences should cause a district court to reach a result contrary to that of the Court of Appeals for the Federal Circuit in its review of the ITC ruling. A potential increase of the burden upon the non-prevailing party before the Court of Appeals for the Federal Circuit does not generally warrant issuance of an injunction.

¹¹ Statistics show that since the passage of the Trade Act of 1974, holders of U.S. patents have prevailed on the issue of patent validity in about 65% of the ITC decisions, as compared to 40 to 45% of the district court decisions. See Kaye, Lupo & Lipman, *supra* page 1142, at 118.

In any event, regardless of the outcome of the issue preclusion question, Congress, as the source of this Court's patent jurisdiction and the ITC's jurisdiction, has made the choice to permit an overlap of issues in these two fora. It cannot, therefore, be said that the simultaneous prosecution of an ITC action is an unlawful intrusion upon this court's patent jurisdiction.

Multidistrict Litigation Transfer as a Basis for Injunction

In a further attempt to find a jurisdictional basis for its requested injunctive relief, Weslo points to the multidistrict litigation statute, 28 U.S.C. § 1407, which Diversified has invoked to have proceedings consolidated in the district court. Weslo argues that section 1407, read in conjunction with 19 U.S.C. § 1337, evinces a clear congressional intent against parallel proceedings. Weslo purports to find support for its position in two sentences of the legislative history of section 337:

The provision for the tolling of the running of the time limits provided by this amended section is intended to apply to situations where the section 337 proceedings are suspended due to concurrent proceedings involving similar issues concerning the same subject matter before a court or agency of the United States. Such suspension of proceedings may be undertaken by the Commission as an exercise of its own discretion, or as a result of a court order to the same effect.

S.Rep. No. 1298, 93d Cong., 2d Sess. 194-95 (1974), reprinted in 1974 U.S.Code Cong. & Ad.News 7326, 7327.

The short answer to this assertion is that the multidistrict transfer statute was passed for purposes of judicial economy, and not to frustrate ongoing administrative proceedings. Similarly, the suspension provision of 19 U.S.C. § 1337(b) was not intended to be utilized every time there are parallel proceedings in the ITC and the district court. Suspension should be reserved for

when it is necessary—a policy which the ITC already follows.¹² Suspension is not warranted in this case.

Irreparable Injury

A showing of irreparable injury is almost always essential to obtain injunctive relief. Weslo contends it is suffering irreparable injury by reason of being “bludgeoned with two simultaneous actions,” Dkt. 33 at 12. Specifically, it complains “duplicative” proceedings are resulting in substantial and unnecessary costs,¹³ lost business time, inordinate difficulties for respondent/defense counsel, conflicting protective orders which place counsel in an untenable position, and a denial of due process. None of these factors, considered singly or in combination, constitute irreparable injury.

Congress implicitly recognized that more than one proceeding might result from its statutory scheme. Section 337 expressly provides that “[violations] found by the Commission to exist shall be dealt with, *in addition to any other provisions of law, as provided in this section.*” 19 U.S.C. § 1337(a) (emphasis added). This directive has existed in one form or another since 1922. See Act of Sept. 21, 1922, ch. 356, Title III, § 316, 42 Stat. 943. Yet Congress has never acted to prevent simultaneous proceedings despite the obvious possibility that a single party could be involved in parallel litigation.

Moreover, Congress has established a finite period in which the ITC must make its determinations, a period far shorter than the time it typically takes to resolve a district court patent case. Given this statutory time limit, one would assume that if Congress intended that a suspension be granted whenever a patent infringement action

¹² See *supra* page 1139.

¹³ Weslo hints that duplicative litigation costs might bankrupt the company. However, there are no facts of record to support that bankruptcy is imminent as a result of these costs.

is instituted, it would have made the suspension mandatory or directed that district court proceedings be stayed.

The burdens complained of by Weslo are no different than those suffered by anyone who imports or sells an imported article which allegedly infringes a domestic patent. In each such instance there is the potential for exposure to proceedings before both the district court and the ITC. That exposure carries with it unavoidable expenditures of time and money to defend in parallel litigation. The additional burden on a corporation's counsel, or the need to obtain additional counsel, does not constitute irreparable injury which would compel the grant of an injunction to delay an administrative proceeding. The same is applicable to litigation expenses. *Renegotiation Board v. Bannerkraft Clothing Co.*, 415 U.S. 1, 23-24, 94 S.Ct. 1028, 1040-41, 39 L.Ed.2d 123 (1974).

Weslo also urges that conflicting confidentiality orders place it in an untenable position. The confidentiality orders are not, however, conflicting, but merely protect discovery produced in each case. Weslo stresses that, as a practical matter, counsel should not have to compartmentalize what has been learned in each case and should not be subjected to the unnecessary expense of duplicative production. These concerns could conceivably be resolved by seeking modification of the confidentiality order operating in each forum so as to permit relevant patent information to be used irrespective of the proceeding in which it was produced.

Weslo additionally complains it is denied due process because it must proceed in the relatively fast-paced ITC proceeding. Weslo in effect is asserting there is a constitutional entitlement to the overdiscovered, overtried, and consequent glacial pace of district court patent litigation. It has cited no authority for this amazing proposition. Its due process argument is further blunted because the ITC statute provides for a determination made on the record after notice and an opportunity for hearing dur-

ing which all legal and equitable defenses may be presented. 19 U.S.C. § 1337(c). If any constitutional infirmity creeps into the ITC administrative proceedings, the appellate court is well equipped to redress such flaws.

Finally, Weslo contends that if the ITC action is appealed to and decided by the Federal Circuit before the district court has an opportunity to render its decision, Weslo will, in effect, be denied its right to a jury trial on those issues which have been presented in both fora. Weslo's argument presupposes that some theory of issue preclusion will prevent this Court from trying on the merits issues which are similar, though not identical, to issues passed upon by the Federal Circuit on appeal from an ITC determination. That theory has already been rejected in the Court's earlier discussion, based upon the differing exclusive provinces of the district court and the ITC. *See supra* pages 1142-1143. At present, the existence of simultaneous proceedings before the ITC poses only the most tenuous threat to Weslo's right to a jury trial, and is insufficient to satisfy the Court that an injunction is appropriate.

In short, the existence of parallel litigation, without more, confers no right to injunctive relief.

Relative Harm to the Parties and the Public

Weslo urges for the reasons detailed above that it will suffer irreparable harm if an injunction against Diversified is not granted. Other defendants in this multi-district litigation support Weslo's application, presumably fearing the faster moving ITC matter might adversely affect them without affording them an opportunity to participate actively. Diversified, on the other hand, contends it needs protection from foreign imports in an efficiently and economically operated domestic industry in which it was a development leader. Moreover, Diversified asserts protection against infringing importers is not available under the domestic patent law. The short

answer is that the ITC, the statutory representative of the public interest, has determined that interest is best served by continuing the ITC investigation at this time. Nothing has been placed before me which demonstrates the ITC is incorrect in its assesment of the public interest. Similarly, independent of the ITC determination, I am not persuaded that the interest of the public would be better served by issuance of an injunction.

Finally. Weslo urges that this Court should be guided by *Pfizer, Inc. v. International Rectifier Corp.*, 182 U.S.P.Q. 595, 597 (D.Minn.1974), *rev'd on other grounds*, 183 U.S.P.Q. 400 (8th Cir.1974), *reinstated*, 185 U.S.P.Q. 449 (D.Minn.1975). The facts in that case are vastly different from those presented here and the case is distinguishable on that basis alone. To the extent the *Pfizer* case conflicts with this Opinion, I respectfully decline to follow it. Balancing the interests of all parties and the public interest, exercise of my discretion points in only one direction—denial of the injunction. There has been no convincing demonstration that the statutorily authorized ITC investigation should be obstructed by enjoining Diversified. While the Court has found no jurisdiction to enjoin the ITC directly, if the Court possessed such jurisdiction, it would decline to issue the injunction for the reasons that it declines to enjoin Diversified.

APPENDIX H

UNITED STATES INTERNATIONAL
TRADE COMMISSION
Washington, D.C. 20436

Investigation No. 337-TA-212

IN THE MATTER OF CERTAIN CONVERTIBLE
ROWING EXERCISERS

COMMISSION ACTION AND ORDER

Background

On December 5, 1984, Diversified Products Corp. filed a complaint with the Commission alleging unfair methods of competition and unfair acts in the importation and sale of certain convertible rowing exercisers including, *inter alia*, direct infringement of claims 1-3 and 5-18 of U.S. Letters Patent 4,477,071 (the '071 patent) and direct infringement of claims 1-9 of U.S. Letters Patent 4,744,719 (the '719 patent), the effect or tendency of which was to destroy or substantially injure an industry, efficiently and economically operated, in the United States.^{1 2}

¹ By an initial determination (ID) (Order No. 30), issued June 27, 1985, the presiding administrative law judge (ALJ) granted complainant's motion to amend the complaint and notice of investigation by deleting all references to the '719 patent. The Commission determined not to review the ID. *See* 50 F. R. 31052 (1985).

² Pursuant to a prehearing stipulation of the parties, claims 2, 3, 10-13, and 18 of the '071 patent were removed from consideration in the investigation. *See* Finding of Fact No. 33 of the ALJ's initial determination on the merits of the investigation.

On October 18, 1985, the presiding administrative law judge (ALJ) (Judge Mathias) issued an initial determination (ID) on the merits of the investigation. In that ID, he found the '071 patent invalid for anticipation (under 35 U.S.C. § 102) and for obviousness (under 35 U.S.C. § 103).

Action

The Commission has determined to review and reverse the ID on the issue of anticipation of the '071 patent by the prior art device known as the Beacon 3002 rower. The Commission has determined not to review any other portion of the ID.

The ID's findings on anticipation and obviousness are predicated on a prior art device known as the Beacon 3002 rower. The ALJ found that the Beacon 3002 rower anticipates the '071 patent in that the '071 patent reads literally on the Beacon 3002 rower in all respects, save the element of "generally perpendicular," describing the attaching means for the second user support. However, the ALJ found that the Beacon 3002 rower has the "full functional equivalent of the generally perpendicular attachment of the second user support" (ID at 195).

The Commission finds that the law of anticipation does not encompass the concept of functional equivalence. Anticipation requires "the presence in a single prior art reference disclosure of all elements of a claimed invention arranged as in that claim." *Connell v. Sears, Roebuck & Co.*, 722 F.2d 1542, 1548 (Fed. Cir. 1983). See also *Kalman v. Kimberly-Clark Corp.*, 713 F.2d 760 (Fed. Cir. 1983), *cert. denied*, 104 S.Ct. 1284 (1984). "It is elementary that an anticipation rejection requires a showing that each limitation of a claim must be found in a single reference, practice or device." *In re Donohue*, 766 F.2d 531, 534 (Fed. Cir. 1985). See also *Studien-gesellschaft Kohle, mbH, v. Dart Industries, Inc.*, 726 F.2d 724, 726-27 (Fed. Cir. 1984); *Ralston-Purina Com-*

pany v. Far-Mar-Co, Inc., 772 F.2d 1570, 1574 (Fed. Cir. 1985). As the claim limitation of "generally perpendicular" is not met by the Beacon 3002 rower, the Beacon 3002 rower cannot anticipate the claims of the patent in controversy.

Accordingly, the Commission has determined to review and reverse the ID on the issue of anticipation. The Commission has further determined not to review any other portion of the ID and, therefore, all portions of the ID other than that concerning anticipation have become the Commission's determination.

Order

Accordingly, it is hereby ORDERED THAT—

1. The Commission grant the petition for review of complainant Diversified Products Corp. on the issue of anticipation of the '071 patent by the Beacon 3002 rower;
2. The ALJ's conclusion that the claims of the '071 patent are invalid as anticipated by the Beacon 3002 rower is reversed; and
3. The Secretary shall serve copies of this Commission Action and Order upon each party of record to this investigation and publish notice thereof in the *Federal Register*.

By order of the Commission.

/s/ Kenneth R. Mason
KENNETH R. MASON
Secretary

Issued: December 5, 1985

CERTIFICATE OF SERVICE

I, Kenneth R. Mason, hereby certify that the attached Notice was served upon the following parties via first class mail and/or air mail where necessary, on December 5, 1985.

/s/ Kenneth R. Mason
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APPENDIX I

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

Appeal No. 86-978

DIVERSIFIED PRODUCTS CORP.,
Appellant,

v.

UNITED STATES INTERNATIONAL TRADE COMMISSION,
Appellee,

and

WESLO, INC.,
Intervenor, Appellee

Decided: June 17, 1987

Before FRIEDMAN, *Circuit Judge*, BALDWIN, *Senior
Circuit Judge*,* and BISSELL, *Circuit Judge*.

BALDWIN, *Senior Circuit Judge*.

DECISION

This is an appeal from a final determination of the United States International Trade Commission (Commission) finding no violation of section 337 of the Tariff Act of 1930, 19 U.S.C. § 1337 (section 337) on the

* The Honorable Phillip B. Baldwin assumed Senior Circuit Judge status effective November 25, 1986.

ground that the patent in controversy, U.S. Patent No. 4,447,071 ('071 patent) is invalid under 35 U.S.C. § 103. The final determination was the result of a Commission investigation initiated upon a complaint by Diversified Products Corporation (appellant) alleging unfair acts in the importation into the United States of certain convertible rowing exercisers which were asserted to infringe the '071 patent.¹ The Commission adopted all of the findings and all but one of the legal conclusions drawn in an initial determination of its Administrative Law Judge.² We *affirm* the determination of no violation.

OPINION

The '071 patent, entitled "Convertible Rowing Exercising Apparatus," issued on October 16, 1984 from an application filed on March 14, 1984. The alleged invention was made in April 1982. It relates to a multipurpose exercise device, stably ground supported when the frame is in either a horizontal or vertical position. The device is thus usable alternatively as a conventional rowing machine with its frame horizontal, or as a weight-training type of exerciser with its frame reoriented into a vertical position.

¹ Certain Convertible Rowing Exercisers, Inv. No. 337-TA-212, USITC Pub. No. — (December 1985) (Commission Action and Order).

² On October 18, 1985, an initial determination of no violation of section 337 was made on the basis that the '071 patent is invalid under 35 U.S.C. §§ 102 and 103.

The Commission reversed the initial determination on a single, non-determinative issue: invalidity under section 102. All other factual findings and conclusions of law in the initial determination including section 103 invalidity, were adopted, rendering them reviewable as part of the Commission's final determination. 19 C.F.R. § 210.53(h) (1985). See *Akeo N.V. v. U.S. Int'l Trade Commission*, 808 F.2d 1471, 1476, 231 USPQ 1241, 1243 (Fed. Cir. 1986).

Comprehensive findings were made as to the scope and content of the prior art, the ordinary skill in the art, and as to the differences between the prior art and the patent claims. The most pertinent prior art was a public use of an earlier rowing exerciser. This, the Beacon 3002, was a horizontal rowing exerciser which had incidentally been manufactured with legs so that it could be positioned as a vertically up-ended exerciser. The Commission concluded from corroborated testimony that at least once in 1980 the exerciser had been demonstrated upright at a sales presentation. Based on that evidence, it was concluded that the 1980 use of the upright Beacon 3002 constituted prior art.³

The Commission acknowledged that the Beacon 3002 rower lacked specific structural features recited in the claims of the '071 patent. The differences, however, were found to be "so slight that it would have been well within the abilities of a person of ordinary skill in the art to recognize and make." The Commission thereby concluded that the structure claimed in the '071 patent "is suggested by the prior art."

Appellant alleges error in the Commission's conclusion that a 1980 demonstration had occurred. The principal challenge is to the credibility accorded to testimony of one witness, Mr. Kucera, a wholesale buyer of home exercise equipment. Mr. Kucera testified that he had been present at a 1980 wholesale sales presentation where an upright Beacon 3002 was demonstrated. At this presentation, vertically oriented exercises were performed on the Beacon 3002 for Mr. Kucera. Although Mr. Kucera's testimony was deemed the "only corroborated demonstration of the 3002 rower in an upright position," it was found to substantiate other, less reliable, evidence. Relying upon the cumulative evidence, the Commission found

³ It is uncontested that the 1980 demonstration would have been more than one year prior to the date of the alleged invention, April 1982.

support upon which to base a conclusion of a 1980 public use of the upended Beacon 3002. Appellant asserts that other evidence, including testimony of another witness, Eugene Weiss, contradicts the Commission's conclusion. That evidence, however, does not show that the Commission's findings are not supported by substantial evidence.

Deference in determining the weight and credibility of the evidence should be accorded to the trier of fact, *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 856 (1982). When the fact finder has had the opportunity to observe the demeanor and judge the credibility of witnesses, we may not substitute our judgment for that of the lower tribunal. *Cf. Anderson v. City of Bessemer City, North Carolina*, 470 U.S. 564, 573 (1985). A determination will not be disturbed unless it is inherently improbable or discredited by undisputed fact or physical evidence. When there are two permissible views of the evidence, the factfinder's choice between them cannot be clearly erroneous. This is so even when the findings rest on physical or documentary evidence or inferences from other facts. *Anderson*, 470 U.S. at 574.

Considering all of the arguments regarding witness credibility and inconsistencies in the evidence, we conclude that the Commission conducted an appropriate weighing of the evidence and reached a result which is not inherently improbable or discredited. Therefore, we will not disturb the Commission's findings as to weight and credibility of the evidence.

We further reject appellant's contention that a lack of functional identity or commercial success of the upright Beacon 3002 undermines consideration of the 1980 demonstration toward obviousness. The Beacon 3002 had the demonstrated ability to perform a range of exercises in an upright position and such demonstration rendered obvious the '071 patent claims. A lack of commercial suc-

cess ultimately obtained by the prior art does not preclude a teaching.

Finally, we disagree with the contention that the Commission did not give appropriate weight to its findings on commercial success of the '071 patent in making its obviousness determination. Such secondary considerations were allegedly relegated to a mere "gap-filling" role, an afterthought to the primary obviousness determination. To the contrary, the Commission's determination reflects an adequate consideration of commercial success and other secondary considerations.

APPENDIX J

STATUTORY PROVISION

19 U.S.C. § 1337 (1990) Unfair practices in import trade

(a) Unlawful activities; covered industries; definitions

(1) Subject to paragraph (2), the following are unlawful, and when found by the Commission to exist shall be dealt with, in addition to any other provision of law, as provided in this section:

(A) Unfair methods of competition and unfair acts in the importation of articles (other than articles provided for in subparagraphs (B), (C) and D)) into the United States, or in the sale by the owner, importer, or consignee, the threat or effect of which is—

(i) to destroy or substantially injure an industry in the United States;

(ii) to prevent the establishment of such an industry; or

(iii) to restrain or monopolize trade and commerce in the United States.

(B) The importation in to the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consignee, of articles that—

(i) infringe a valid and enforceable United States patent or a valid and enforceable United States copyright registered under Title 17; or

(ii) are made, produced, processed, or mined under, or by means of, a process covered by the claims of a valid and enforceable United States patent.

(C) The importation into the United States, the sale for importation, or the sale within the United

States after importation by the owner, importer, or consignee, of articles that infringe a valid and enforceable United States trademark registered under the Trademark Act of 1946.

(D) The importation into the United States, the sale for importation, or the sale within the United States after importation by the owner, importer, or consignee, of a semiconductor chip product in a manner that constitutes infringement of a mask work registered under chapter 9 of Title 17.

(2) Subparagraphs (B), (C), and (D) of paragraph (1) apply only if an industry in the United States, relating to the articles protected by the patent, copyright, trademark or mask work concerned, exists or is in the process of being established.

(3) For purposes of paragraph (2), an industry in the United States shall be considered to exist if there is in the United States, with respect to the articles protected by the patent, copyright, trademark, or mask work concerned—

- (a) significant investment in plant or equipment;
- (b) significant employment of labor and capital;
- or
- (c) substantial investment in its exploitation including engineering, research and development, or licensing.

(4) For the purpose of this section, the phrase "owner, importer, or consignee" includes any agent of the owner, importer or consignee.

(b) Investigation of violations by Commission; time limits

(1) The Commission shall investigate any alleged violation of this section on complaint under oath or upon its initiative. Upon commencing any such investigation, the

Commission shall publish notice thereof in the Federal Register. The Commission shall conclude any such investigation, and make its determination under this section, at the earliest practicable time, but not later than one year (18 months in more complicated cases) after the date of publication of notice of such investigation. The Commission shall publish in the Federal Register its reasons for designating any investigation as a more complicated investigation. For purposes of the one-year and 18-month periods prescribed by this subsection, there shall be excluded any period of time during which such investigation is suspended because of proceedings in a court or agency of the United States involving similar questions concerning the subject matter of such investigations.

(2) During the course of each investigation under this section, the Commission shall consult with, and seek advice and information from, the Department of Health and Human Services, the Department of Justice, the Federal Trade Commission, and such other departments and agencies as it considers appropriate.

(3) Whenever, in the course of an investigation under this section, the Commission has reason to believe, based on information before it, that a matter, in whole or in part, may come within the purview of section 1303 of this title or of part II of subtitle IV of this chapter, it shall promptly notify the Secretary of Commerce so that such action may be taken as is otherwise authorized by such section and such Act. If the Commission has reason to believe the matter before it is based solely on alleged acts and effects which are within the purview of section 1303, 1671 or 1673 of this title, it shall terminate, or not institute, any investigation into this matter. If the Commission has reason to believe the matter before it is based in part on alleged acts and effects which are within the purview of section 1303, 1671 or 1673 of this title, and in part on alleged acts and effects which may, inde-

pendently from or in conjunction with those within the purview of such section, establish a basis for relief under this section, then it may institute or continue an investigation in to the matter. If the Commission notifies the Secretary of the administering authority (as defined in section 1677(1) of this title) with respect to a matter under this paragraph, the Commission may suspend its investigation during the time the matter is before the Secretary or administering authority for final decision. For purposes of computing the 1-year or 18-month periods prescribed by this subsection, there shall be excluded such period of suspension. Any final decision of the Secretary under section 1303 of this title or by the administering authority under section 1671 or 1673 of this title with respect to the matter within such section 1303, 1671 or 1673 of this title of which the Commission has notified the Secretary or administering authority shall be conclusive upon the Commission with respect to the issue of less-than-fair-value sales or subsidization and the matters necessary for such decision.

(c) Determinations; review

The Commission shall determine, with respect to each investigation conducted by it under this section, whether or not there is a violation of this section, except that the Commission may, by issuing a consent order or on the basis of a settlement agreement, terminate such investigation, in whole or in part, without making such a determination. Each determination under subsection (d) or (e) of this section shall be made on the record after notice and opportunity for a hearing in conformity with provisions of subchapter II of chapter 5 of Title 5. All legal and equitable defenses may be presented in all cases. Any person adversely affected by a final determination of the Commission under subsection (d), (e), (f), or (g) of this section may appeal such determination, within 60 days after the determination becomes final, to the

United States Court of Appeals for the Federal Security for review in accordance with chapter 7 of Title 5. Notwithstanding the foregoing provisions of this subsection Commission determinations under subsections (d), (e), (f) and (g) of this section with respect to its findings on the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, the amount and nature of bond, or the appropriate remedy shall be reviewable in accordance with section 706 of Title 5.

Exclusion of articles from entry

(d) If the Commission determines, as a result of an investigation under this section, that there is violation of this section, it shall direct that the articles concerned, imported by any person violating the provision of this section, be excluded from entry into the United States, unless, after considering the effect of such exclusion upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, it finds that such articles should not be excluded from entry. The Commission shall notify the Secretary of the Treasury of its action under this subsection directing such exclusion from entry, and upon receipt of such notice, the Secretary shall, through the proper officers, refuse such entry.

(e) Exclusion of articles from entry during investigation except under bond; procedures applicable; preliminary relief

(1) If, during the course of an investigation under this section, the Commission determines that there is reason to believe that there is a violation of this section, it may direct that articles concerned, imported by any person with respect to whom there is reason to believe that such person is violating this section, be excluded

from entry into the United States, unless, after considering the effect of such exclusion upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, it finds that such articles should not be excluded from entry. The Commission shall notify the Secretary of the Treasury of its action under this subsection directing such exclusion from entry, and upon receipt of such notice, the Secretary shall, through the proper officers, refuse such entry, except that such articles shall be entitled to entry under bond determined by the Commission and prescribed by the Secretary.

(2) A complainant may petition the Commission for the issuance of an order under this subsection. The Commission shall make a determination with regard to such petition by no later than the 90th day after the date on which the Commission's notice of investigation is published in the Federal Register. The Commission may extend the 90-day period for an additional 60 days in a case it designates as a more complicated case. The Commission shall publish in the Federal Register its reasons why it designated the case as being more complicated. The Commission may require the complainant to post a bond as a prerequisite to the issuance of an order under this subsection.

(3) The Commission may grant preliminary relief under this subsection or subsection (f) of this section to the same extent as preliminary injunctions and temporary restraining orders may be granted under the Federal Rules of Civil Procedure.

(f) Cease and desist orders; civil penalty for violation of orders

(1) In addition to, or in lieu of, taking such action under subsection (d) or (e) of this section, the Commission may issue and cause to be served on any person

violating this section, or believed to be violating this section, as the case may be, an order directing such person to cease and desist from engaging in the unfair methods or acts involved, unless after considering the effect of such order upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, it finds that such order should not be issued. The Commission may at any time, upon such notice and in such manner as it deems proper, modify or revoke any such order, and, in the case of a revocation, may take action under subsection (d) or (e) of this section, as the case may be.

(2) Any person who violates an order issued by the Commission under paragraph (1) after it has become final shall forfeit and pay to the United States a civil penalty for each day on which an importation of articles, or their sale, occurs in violation of the order of not more than the greater of \$100,00 (sic: this figure was in the 1990 rev.—should it read \$10,000, the figure listed in the 1982 version?) or twice the domestic value of the articles entered or sold on such day in violation of the order. Such penalty shall accrue to the United States and be recovered for the United States in a civil action brought by the Commission in the Federal District Court for the District of Columbia or for the district in which the violation occurs. In such actions, the United States district courts may issue mandatory injunctions incorporating the relief sought by the Commission as they deem appropriate in the enforcement of such final orders of the Commission.

(g) Exclusion from entry or cease and desist order; conditions and procedures applicable

If—

(A) a complaint is filed against a person in this section;

(B) the complaint and a notice of investigation are served on the person;

(C) the person fails to respond to the complaint and a notice or otherwise fails to appear to answer the complaint and notice;

(D) the person fails to show good cause why the person should not be found in default; and

(E) the complainant seeks relief limited solely to that person;

the commission shall presume the facts alleged in the complaint to be true and shall, upon request, issue an exclusion from entry or a cease and desist order, or both, limited to that person unless, after considering the effect of such exclusion or order upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers, the Commission finds that such exclusion or order should not be issued.

(2) In addition to the authority of the Commission to issue a general exclusion from entry of articles when a respondent appears to contest an investigation concerning a violation of the provisions of this section, a general exclusion from entry of articles, regardless of the source or importer of the articles, may be issued if—

(A) no person appears to contest an investigation concerning a violation of the provisions of this section, and

(B) such a violation is established by substantial, reliable, and probative evidence.

(h) Sanctions for abuse of discovery and abuse of process

The Commission may by rule prescribe sanctions for abuse of discovery and abuse of process to the extent

authorized by Rule 11 and Rule 37 of the Federal Rules of Civil Procedure.

(i) Forfeiture

(1) In addition to taking action under subsection (d) of this section, the Commission may issue an order providing that any article imported in violation of the provisions of this section be seized and forfeited to the United States if—

(A) the owner, importer, or consignee of the article previously attempted to import the article into United States;

(B) the article was previously denied entry into the United States by reason of an order issued under subsection (d) of this section; and

(C) upon such previous denial of entry, the Secretary of the Treasury provided the owner, importer, or consignee of the article written notice of—

(i) such order, and

(ii) the seizure and forfeiture that would result from any further attempt to import the article into the United States.

(2) The Commission shall notify the Secretary of the Treasury of any order issued under this subsection and, upon receipt of such notice, the Secretary of the Treasury shall enforce such order in accordance with the provisions of this section.

(3) Upon the attempted entry of articles subject to an order issued under this subsection, the Secretary of the Treasury shall immediately notify all ports of entry of the attempted importation and shall identify the persons notified under paragraph (1) (C).

(4) The Secretary of the Treasury shall provide—

(A) the written notice described in paragraph (1)

(C) to the owner, importer, or consignee of any

article that is denied entry into the United States by reason of an order issued under subsection (d) of this section; and

(B) a copy of such written notice to the Commission.

(j) Referral to President

(1) If the Commission determines that there is a violation of this section, or that, for purposes of subsection (e) of this section, there is reason to believe that there is such a violation, it shall—

(A) publish such determination in the Federal Register, and

(B) transmit to the President a copy of such determination and the action taken under subsection (d), (e), (f), (g), or (i) of this section, with respect thereto, together with the record upon which such determination is based.

(2) If, before the close of the 60-day period beginning on the day after the day on which he receives a copy of such determination, the President, for policy reasons, disapproves such determination and notifies the Commission of his disapproval, then, effective on the date of such notice, such determination and the action taken under subsection (d), (e), (f), (g), or (i) of this section with respect thereto shall have no force or effect.

(3) Subject to the provisions of paragraph (2) such determination shall, except for purposes of subsection (c) of this section, be effective upon publication thereof in the Federal Register, and the action taken under subsection (d), (e), (f), (g), or (i) of this section with respect thereto shall be effective as provided in such subsections, except that articles directed to be excluded from entry under subsection (d) of this section or subject to a cease and desist order under subsection (f) of this section shall be entitled to entry under bond determined

by the Commission and prescribed by the Secretary until such determination becomes final.

(4) If the President does not disapprove such determination within such 60-day period, or if he notifies the Commission before the close of such period that he approves such determination, then, for purposes of paragraph (3) and subsection (c) of this section such determination shall become final on the day after the close of such period or the day on which the President notifies the Commission of his approval, as the case may be.

(k) Period of effectiveness; termination of violation or modification or rescission of exclusion order

(1) Except as provided in subsection (f) and (j) of this section, any exclusion from entry or order under this section shall continue in effect until the Commission finds, and in the case of exclusion from entry notifies the Secretary of the Treasury, that the conditions which led to such exclusion from entry or order no longer exist.

(2) If any person who has previously been found by the Commission to be in violation of this section petitions the Commission for a determination that the petitioner is no longer in violation of this section or for a modification or rescission of an exclusion from entry or order under subsection (d), (e), (f), (g), or (i) of this section—

(A) the burden of proof in any proceeding before the Commission regarding such petition shall be on the petitioner; and

(B) relief may be granted by the Commission with respect to such petition—

(i) on the basis of new evidence or evidence that could not have been presented at the prior proceeding, or

(ii) on grounds which would permit relief from a judgment or order under the Federal Rules of Civil Procedure.

(l) Importation by or for United States

Any exclusion from entry or order under subsection (d), (e), (f), (g), or (i) of this section, in cases based on a proceeding involving a patent, copyright, or mask work under subsection (a) (1) of this section, shall not apply to any articles imported by and for the use of the United States, or imported for, and to be used for, the United States with the authorization or consent of the Government. Whenever any article would have been excluded from entry or would not have been entered pursuant to the provisions of such subsections but for the operation of this subsection, an owner of the patent, copyright, or mask work adversely affected shall be entitled to reasonable and entire compensation in an action before the United States Claims Court pursuant to the procedures of section 1498 of Title 28.

(m) Definition of United States

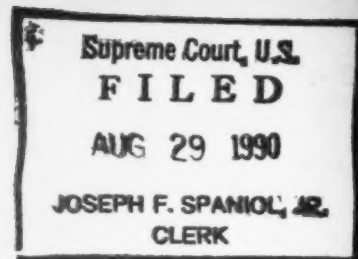
For purposes of this section and sections 1338 and 1340 of this title, the term "United States" means the customs territory of the United States as defined in general note 2 of the Harmonized Tariff Schedule of the United States.

(n) Disclosure of confidential information

(1) Information submitted to the Commission or exchanged among the parties in connection with proceedings under this section which is properly designated as confidential pursuant to Commission rules may not be disclosed (except under a protective order issued under regulation of the Commission which authorized limited disclosure of such information) to any person (other than a person described in paragraph (2) without the consent of the person submitting it.

(2) Notwithstanding the prohibition contained in paragraph (1), information referred to in that paragraph may be disclosed to—

(A) an officer or employee of the Commission who is directly concerned with carrying out the investigation in connection with which the information is submitted, (B) an officer or employee of the United States Government who is directly involved in the review under subsection (j) of this section, or (C) an officer or employee of the United States Customs Service who is directly involved in administering an exclusion from entry under this section resulting from the investigation in connection with which the information is submitted.



(2)
No. 90-258

IN THE
Supreme Court of the United States

OCTOBER TERM, 1990

WESLO, INC.,
Petitioner,

vs.

DIVERSIFIED PRODUCTS CORP., and
BROWN, FITZPATRICK, LLOYD, LTD., et al.,
Respondents.

**SUPPLEMENTAL BRIEF
OF RESPONDENT ROADMASTER CORPORATION
IN SUPPORT OF THE POSITION OF
PETITIONER WESLO, INC.**

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BEST AVAILABLE COPY

QUESTION PRESENTED

Does a final determination by the International Trade Commission of the invalidity of a patent, affirmed by the Court of Appeals for the Federal Circuit, preclude, by virtue of collateral estoppel, the assertion of the validity of the patent in a suit against a third party in a U.S. District Court alleging infringement of that patent?

LIST OF PARENT AND SUBSIDIARIES

Roadmaster Corporation (identified as Roadmaster, Inc. in the Petition for Writ of Certiorari) is a subsidiary of Roadmaster Industries, Inc. Roadmaster Industries, Inc. has another subsidiary, Hamilton Lamp Corporation, and Roadmaster Corporation has one subsidiary, Ajay-Dorcy Canada, Ltd.

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DIVERSIFIED PRODUCTS CORP., and
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**SUPPLEMENTAL BRIEF
OF RESPONDENT ROADMASTER CORPORATION
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PETITIONER WESLO, INC.**

OPINION BELOW AND JURISDICTION

The Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit filed by Weslo, Inc. on August 9, 1990 (hereinafter Weslo Petition) correctly identifies the opinions below. Jurisdiction also appears properly based on 28 U.S.C. §1254(1).

SUPPLEMENT TO STATEMENT OF THE CASE

Roadmaster agrees with the Statement of the Case recited in the Weslo Petition. However, Roadmaster here supplements that statement to clarify its relationship with this matter.

Roadmaster is a party with Petitioner Weslo to the Order of the United States District Court for the District of Delaware denying a Motion for Summary Judgment (App. C).¹ Roadmaster is also a party to the petition to the Court of Appeals for the Federal Circuit for permission to appeal the Order of the trial court and in turn the Orders of the Court of Appeals refusing to hear the Appeal (App. A and B), all as set out in the Weslo Petition.

Respondents Diversified et al. sued Roadmaster in the U.S. District Court for the Southern District of Illinois on October 16, 1984. That case was consolidated for discovery, along with nine other cases, in the United States District Court for the District of Delaware. If certiorari is denied, discovery in the Delaware District Court will proceed, and presumably at its close, the Roadmaster case will be sent back to Southern Illinois for trial, in all probability at least seven or eight years after its inception.

STATEMENT IN SUPPORT OF PETITION UNDER RULE 12.4

Roadmaster Corporation supports the position of Petitioner Weslo, Inc. and adopts the Petition for the Writ of Certiorari to the United States Court of Appeals for the Federal Circuit, No. 90-258, filed August 9, 1990, in its entirety.

¹ The Appendices to the Westlo Petition will be referred to hereinafter as Appendices A through J; the Appendices to the present Brief, as Appendices K and L.

By taking and deciding this case on a narrow issue of preclusion, the Supreme Court can settle a matter of statutory interpretation affecting many cases, reducing the burden of the District Courts and litigants, and, incidentally, relieving international concern about the obligations of the United States under GATT.

POSITION OF ROADMASTER

Roadmaster's status is not exactly the same as that of Weslo, because Roadmaster was not a party to the ITC proceeding. If certiorari is granted and this Court decides that the ITC decision is preclusive as to Weslo, the ITC decision may be held to be the law of the case, or even *res judicata* as to Weslo, but not necessarily as to Roadmaster. It is Roadmaster's position that the decision of the ITC holding patent 4,477,071 invalid, affirmed by the Court of Appeals for the Federal Circuit, should also give rise to collateral estoppel to preclude further prosecution of the suit by Diversified Products Corp. et al. against Roadmaster for infringement of that patent under the clear holding of *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313 (1971).

ARGUMENT

Invalidity of a patent is a matter of law. If the Court of Appeals for the Federal Circuit has upheld a finding of invalidity, the patent is thereafter invalid and nothing will serve to restore the validity of the patent (*Blonder-Tongue, supra*). All appeals from a determination of the ITC under 19 U.S.C. §1337 are to the Federal Circuit. Accordingly, the party whose patent has been held invalid in the ITC has only the choice of permitting the ITC determination to become final, or appealing to the Federal Circuit. The Federal Circuit reviews the decision for legal error and has not hesitated to reverse a determination of invalidity by the ITC (*Rotron, Inc. v. United States International Trade Commission, Appellee, and Matsushita Electric Corporation of America et al., Intervenors*, 845 F.2d 1034, C.A. Fed. (1988); 1988 U.S. App. LEXIS 1978). When it affirms a determination of invalidity, it affirms that the prevailing party has sustained the burden of proving invalidity.

Are the parties to the remaining infringement suits to be put to the expense and effort of trial and then, if the patent is held to be valid and infringed (or even invalid), to the hazard of having the Federal Circuit decide on a different record that the defendant infringes the same patent because it has not independently proved invalidity of the patent that Weslo proved invalid? Or on Weslo's record, after yet another trial, that this time Weslo has not proved invalidity, although it had done so before? The risk of inconsistent and conflicting results is obvious and compels certiorari now.

THE DECISION BELOW IS BEING CRITICIZED BY COMMENTATORS

The decision of the District Court denying Summary Judgment, *In Re Convertible Rowing Exerciser Patent Litigation*, 616 F. Supp. 1134 (Delaware 1985), has become a cause celebre. Both the Patent Section of the American Bar Association and

the American Intellectual Property Association have taken cognizance of it. Two articles discussing it have appeared even as Petitioner's Petition was being printed. They are reproduced in Appendices K and L.

The first article is a report of Subcommittee A of Committee No. 401 of the Section of Patent, Trademark and Copyright Law of the American Bar Association. The subcommittee presented, at the annual meeting of that Association of August 4-8, 1990, the following Resolution 401-1 for full debate:

"RESOLVED, that the section of Patent, Trademark and Copyright Law favors in principle application of the Doctrine of Collateral Estoppel by U.S. District Courts to prior final determinations of the International Trade Commission which are adverse to the complainant; and Specifically, favors clarification by the U.S. Congress of 19 U.S.C. §1337 so indicating." (App. K, p. 1-2)

The report contains at pages 188-94, (App. K pp. 3-12) a thorough discussion of the topic, much of which has to do with the *In Re Convertible Rowing* decision. The committee concluded that:

"Congress has not expressly decided against giving preclusive effect to ITC decisions, and there are no legal barriers to so doing." page 194 (App. K, p. 12)

The second article, "THE STATUS OF DUAL PATH LITIGATION IN THE ITC AND THE COURTS: ISSUES OF JURISDICTION, RES JUDICATA AND APPELLATE REVIEW" at pages 155-192 of the AIPLA Quarterly Journal, Volume 18, No. 2, which was received by Counsel for Respondent Roadmaster on August 6, 1990, discusses the *In Re Convertible Rowing Exerciser Patent Litigation* decision in detail, saying as to the aspect of the decision with which we are here concerned:

“After laying out its convincing argument on why ITC determinations should be given *res judicata* effect, the Court refused to do so, citing the jurisdictional rationale and the 1974 legislative history.” page 178 (App. L, p. 52)

The authors, who include Albert Trampusch, Director-Designate, The John Marshall Law School Center For Intellectual Property Law, Chicago, Illinois, observe:

“Thus, we have the strange and anomalous situation that Federal Circuit decisions on ITC non-patent cases are binding on its sister circuit, while Federal Circuit Decisions on ITC patent cases are not binding even on itself.” page 186 (App. L, p. 64)²

² Although Roadmaster has no immediate interest in the effect of the decision on the GATT, this court may find the discussion in the article of interest in deciding whether or not to grant the Writ. The authors conclude that 19 U.S.C. §1337 (as interpreted by the court below) is inconsistent with the United States' international obligations. A decision of this Court that under 19 U.S.C. §1337 a final determination of the ITC, either affirmed by the Federal Circuit or not appealed, is *res judicata*, and that it gives rise to collateral estoppel to assert validity of the patent against a third party, would resolve the matter.

CONCLUSION

Respondent Roadmaster Corporation supports the position of Petitioner Weslo, and submits that a final determination by the ITC of patent invalidity after a full and fair opportunity to litigate the validity of the patent should give rise to collateral estoppel under *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313 (1971) to preclude relitigation in a suit against a third party of the matter of patent validity. Thus, review now is imperative to avoid subversion of the salutary policy set out by this court in the *Blonder-Tongue* decision.

Respectfully submitted,

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APPENDIX

APPENDIX K

Rec'd Jul 27, 1990

1990 COMMITTEE REPORTS SECTION OF PATENT, TRADEMARK AND COPYRIGHT LAW

Reports to be presented at the ANNUAL MEETING

August 4-8, 1990

Chicago, Illinois

ABA

DIVISION IV—RELATED LEGAL ISSUES John E. Maurer,
Division Chairman

COMMITTEE NO.401 Kenneth E. Madson, *Chairman*

FEDERAL PRACTICE AND PROCEDURE

Scope of Committee: Practice in the Federal Courts in cases involving patents, trademarks, copyrights and related matters; and problems concerning improvements in litigation process in the Courts, including decreasing costs and length of pendency of cases. The committee also studies and makes recommendations for suggested amendments to the Federal Rules or the U.S. Code respecting practice and procedure in such fields.

SUBCOMMITTEE A Craig S. Summers, *Subcommittee Chairman*

Subject 1. PARALLEL PROCEEDINGS IN THE ITC AND DISTRICT COURTS.

PROPOSED RESOLUTION 401-1. Council Action: Class 1, Full Debate.

1 RESOLVED, that the Section of Patent, Trademark and Copyright Law

- 2 favors in principle application of the Doctrine of Collateral Estoppel by U.S.
- 3 District Courts to prior final determination of the International Trade
- 4 Commission which are adverse to the complainant; and
- 5 Specifically, favors clarification by the U.S. Congress of 19 U.S.C. § 1337 so
- 6 indicating.

PROPOSED RESOLUTION 401-2. Council Action: Class 1, Full Debate.

- 1 **RESOLVED**, that the Section of Patent, Trademark and Copyright Law
- 2 favors in principle that Federal Rules be amended to provide that U.S. District
- 3 Courts treat discovery taken in a prior International Trade Commission
- 4 proceeding, respecting common claims or issues between the same parties, as
- 5 though the discovery was taken in the U.S. District Court action; and that the
- 6 Rules of the International Trade Commission treat discovery taken in a prior
- 7 District Court action, respecting common claims or issues between the same
- 8 parties, as though the discovery was taken in the International Trade
- 9 Commission proceeding.

PROPOSED RESOLUTION 401-3. Council Action: Class 1, Full Debate.

- 1 **RESOLVED**, that the Section of Patent, Trademark and
 Copyright Law
- 2 favors in principle, in cases of parallel proceedings between
 the U.S. District
- 3 Courts and the International Trade Commission, a prac-
 tice facilitating
- 4 discretionary stays of the U.S. District Court action
 brought by the complain-
- 5 ant, based on considerations of (1) the length of time that
 the first action was
- 6 pending prior to commencement of the second action; (2)
 the extent and state
- 7 of discovery in the first-filed action; and (3) identity of
 claims and issues
- 8 between the two actions.

Past Action. None.

Discussion. Last year, the committee identified twenty-eight basic considerations relevant to the issue of reducing duplication of effort when proceedings are pending at the same time in both the ITC and District Court. Many of these considerations have been taken into account when formulating the proposed resolutions.

1. *General Background.* Much has been said about the use of ITC proceedings as a plaintiff's "test run" or "free shot" against an alleged infringer. If the plaintiff wins, of course, he prevents the defendant's importation of goods into the United States. If he loses, however, he may subsequently file suit in District Court and attempt to re-litigate the same matter. He

also may conduct both an ITC proceeding and a suit in District Court at the same time, if he chooses. This can be totally devastating to a defendant with limited economic resources.

From the standpoint of a defendant with sufficient resources, if he loses in the ITC, he may still file suit in District Court and attempt to obtain a writ staying enforcement of the ITC preclusion order pending resolution of issues of patent validity and infringement by a court with "proper jurisdiction" under 28 U.S.C. § 1338. While the likelihood of success of such a motion is open to debate, a well-heeled defendant has the option of drawing out the proceedings in an effort to wear down the plaintiff by deliberately engaging in protracted litigation.

The conclusions to be drawn from the situation described above are that failure to accord ITC decisions in patent matters some preclusive effect promotes waste of the parties' and judicial resources. The Federal Circuit has recognized this potential waste, stating in *Young Engineers v. ITC*, 721 F.2d 1305, 1315 (Fed. Cir. 1983) (holding that the ITC must apply preclusion to prior court actions) that "the evils of vexatious litigation and waste of resources are no less serious because the second proceeding is before an administrative tribunal."

2. *The Current State of the Law.* Two cases have split over the issue of whether ITC patent decisions should be given preclusive effect in the District Courts. *Dudley Shearing Machine Mfg. Co. v. LaBounty Manufacturing Co.*, C-C-86295-M (W.D. N.C. 17 March 1988) favors a preclusive effect, and *In Re Convertible Rower Exerciser Patent Litigation*, 721 F.Supp. 596 (D.Del. 1989) rejects it. Several other cases treat the issue in dicta, see, e.g., *Tandon Corp. v. ITC*, 831 F.2d 1017 (Fed. Cir. 1987), *The Baltimore Luggage Co. v. Samsonite Corp.*, 13 U.S.P.Q. 2d. 1450, 1453 (D. Md. 1989), *Union Mfg. Co., Inc. v. Han Baek Trading Co., Ltd.* 763 F.2d 42 (2d. Cir. 1985), and *Telectronics Proprietary Ltd. v. Medtronic, Inc.*, 687 F.Supp. 832 (S.D.N.Y. 1988).

3. *Summary of Arguments for and Against.* Arguments advanced for preclusion are that preclusive effect is normally granted to agency decisions, and that a statement in the legislative history of 19 U.S.C. § 1337, summarily concluding that ITC findings cannot be binding, should not be accorded the effect of a duly passed law. Thus, the proponents for preclusion argue that general legal principles should apply, and that application of these principles favors giving ITC decisions on patent questions preclusive effect to avoid waste and duplication.

Arguments advanced against granting preclusive effect are many. They include: (1) only the federal courts have jurisdiction to make binding decisions in patent matters, consistent with Congress' scheme expressed in 28 U.S.C. § 1338; (2) ITC and District Court proceedings afford different remedies, are based on different claims for relief and, in practice, seem to apply the rules of procedure and evidence differently; and (3) the legislative history of 19 U.S.C. 1337 limits ITC intrusion into determination of patent questions; (4) granting preclusive effect to ITC patent determinations violates the right to trial by jury and trial before an Article III Judge; (5) a two-tier scheme of not giving alleged infringers before the ITC a trial by jury, but giving those before a District Court a jury trial, offends due process and the Equal Protection Clause; and (6) ITC proceedings heavily favor the complainant and are onerous and unfair to the respondent.

4. *Constitutional Concerns.* The constitutional concerns raised by giving preclusive effect to ITC decisions were addressed by the Federal Circuit when it upheld the constitutionality of the re-examination procedure in *Patlex Corporation v. Mossinghoff*, 758 F.2d 594 (Fed. Cir. 1985). Noting that patent validity may only be questioned by an Article III court, the Federal Circuit pointed out that where the criteria for judicial review and full respect for due process are met, statutes investing administrative agencies with regulatory functions previously

filled by judge and jury are upheld if supported by a reasonable legislative purpose. *Patlex*, 758 F.2d at 604-605. Notably, review of facts upon a substantial evidence standard and de novo review of conclusions of law are clearly allowable. See generally, *Thomas v. Union Carbide Agricultural Products Co.*, 473 U.S. 568, 105 S. Ct. 3325, 87 L.Ed. 2d 409 (1985); *Patlex*, 758 F.2d at 604 (patent rights are "public rights" within the meaning of *Thomas* and *Marathon Construction Co. v. Northern Pipe Line Co.*, 458 U.S. 50, 102 S.Ct. 2858, 73 L.Ed. 2d 598 (1982). Giving ITC decisions preclusive effect is, therefore, a clearly permissible delegation of power pursuant to Congress' Article I powers; *Patlex* indicates that it infringes neither Article III nor the right to trial by jury. (The discussion of Congress' Article I powers in *Thomas* is instructive: "the Court has long recognized that Congress is not barred from acting pursuant to its powers under Article I to vest decision making authority in tribunals that lack the attributes of Article III Courts. Many matters that involve the application of legal standards to facts and affect private interests are routinely decided by agency action with limited or no review by Article III courts." (citation omitted). Thus, it would seem that if Congress desired, it could withdraw jurisdiction over patent matters from the federal courts, or provide for trial without a jury).

Patlex also analyzed due process considerations in connection with patent rights. Concluding that patent rights are property rights for purposes of 5th Amendment standing, the Federal Circuit nevertheless found that retroactive application of the re-examination procedure was rationally related to a legitimate Congressional interest. Likewise, according ITC decisions preclusive effect is a rational balancing of the policies of promoting quick resolution of international trade disputes and competent resolution of patent issues without compounding costs. In this regard, it is noted that the ITC probably handles many more patent cases than does the average federal judge, and that ITC final determinations are subject to a de novo

review by the Federal Circuit. Equal Protection analysis is essentially the same as that for due process.

5. *ITC Jurisdiction to Resolve Patent Questions in a Binding Manner.* (1) *Concurrent ITC and Federal Court Jurisdiction to Decide Patent Questions.* Regardless of whether one is for or against giving preclusive effect to ITC decisions, it is necessary to dispel a misnomer that has plagued both courts and the ITC: that district courts are the exclusive forum for resolving patent cases. See, e.g., *Union Manufacturing Company, Inc. v. Han Baek Trading Company, Ltd.*, 763 F.2d 42, 45 (2nd Cir. 1985); *In Re Convertible Rowing Exerciser*, BNA Patent, Trademark and Copyright Journal, Vol. 38, No. 947, p. 508 (D. Del.); see also ITC Amicus Curiae Brief, *Mag Instrument, Inc. v. Brinkmann*, Civil Action CA3-86-427G (N.D. Tex., filed July, 1988), p. 26, n.21, wherein the ITC took the position that its decisions on patent questions should not have a preclusive effect.

28 U.S.C. § 1338 vest exclusive original jurisdiction in the district courts. It is well settled that § 1338 vests jurisdiction in a district court only if there is a patent issue in the case as determined by the well pleaded complaint. See, e.g., *Imperial Alliance Corp. v. Hamilton Manufacturing Co.*, 430 F.1d 185, 187 (7th Cir. 1970); *American Well Works Co. v. Layne & Bowler Co.*, 241 U.S. 257, 36 S. Ct. 585, 60 L.Ed. 987 (1916). Thus, state courts have jurisdiction to determine questions of validity and infringement when such issues are raised by counterclaim or defense and do not arise under the patent laws as determined solely from the plaintiff's complaint. *Pratt v. Perris Gaslight & Coke Co.*, 18 S. Ct. 62, 64 (1897); and *Lear v. Adkins*, 395 U.S. 653, 89 S. Ct. 1902, 1917 (1969). Furthermore, state courts with proper jurisdiction may issue decisions respecting patent laws that are to be accorded res judicata and collateral estoppel effect. *M.G.A. Inc. v. General Motor Corp.*, 827 F.2d 729 (Fed. Cir. 1987). Therefore, the argument, adopted by some courts and the ITC itself, that the ITC should be precluded from issuing binding decisions respecting patent

validity and infringement because of 28 U.S.C. § 1338 addresses federalism and does not mandate that only the federal courts may resolve patent questions.

Opponents also argue that the ITC should be precluded from issuing binding decisions concerning patent validity and infringement because its jurisdiction is different than that of the federal courts. See, e.g., *In Re Convertible Rowing Exerciser*, BNA Patent, Trademark and Copyright Journal, Vol. 38, No. 947, p. 508 (D. Del.). This amounts to no more than saying that federal courts have exclusive jurisdiction of well pleaded complaints depending on construction of federal patent laws for their resolution. Neither may one do so in a state court. However, this does not dispose of the question of whether or not state courts and the ITC may issue a binding decision as to patent validity or infringement when such is raised by means of counterclaim or defense. The Supreme Court has for a long time made clear that state courts are competent to issue binding decisions as to patent validity and infringement. Therefore, as with state courts, there is no jurisdictional reason why the ITC should not be able to issue binding adjudications of patent questions which are properly before them even though they do not have original jurisdiction of cases "arising under" the patent laws.

(2) Differences between the Purposes of the Two Proceedings. The argument expressed in *In Re Convertible Rowing*, 721 F. Supp. at 603, that the differences between the District Court and the ITC proceedings prevent the application *res judicata* and collateral can be rebutted. The decision in *Young Engineers v. ITC*, 721 F.2d 1305, 1315 (Fed. Cir. 1983), requires the ITC to give preclusive effect to claims and issues decided in a prior District Court action. Thus, despite jurisdictional differences over the types of complaints filed, a legal patent question resolved in the ITC is governed by the same law as a similar proceeding before a District Court. Moreover, both are subject to a *de novo* review by the Federal Circuit.

Differences in the procedures of the two tribunals, however, has been a great concern to many and, indeed, some feel strongly that preclusion with respect to ITC decisions in patent matters should be denied. Ironically, these same procedures, e.g., rules governing admission of evidence, are applicable to trademark ITC proceedings which are given preclusive effect in subsequent District Court actions. See, e.g., *Union Manufacturing Co* 763 F.2d 42 and *The Baltimore Luggage Co. supra*, 13 U.S.P.Q. 2d at 1452-3. Some are less concerned, however, about giving preclusive effect to ITC patent decisions that are adverse to the complainant, in view of the patent owner's ability to elect the forum to resolve his dispute.

6. *The Legislative History of 19 U.S.C. § 1337.* The major argument that preclusive effect should not be granted to ITC decisions on patent questions is based upon legislative history; "[I]n patent-based cases, the Commission considers, for its own purposes under § 1337, the status of imports with respect to the claims of U.S. patents. The Commission's findings neither purport to be, nor can they, be regarded as binding interpretations of the U.S. patent laws in particular factual contexts. Therefore, it seems clear that any disposition of a Commission action by a Federal Court should not have a res-judicata or collateral estoppel effect in cases before such courts." S. Rep. No. 1298, 93rd Cong., 2d Sess. 19, reprinted in 1974 U.S. Code Cong. § Admin. News 7186, 7329.

It is well established that legislative history may be used to interpret Congressional intent in enacting a statute, but apart from this purpose may not create law in an area Congress did not address. See *Pierce v. Underwood*, 108 S. Ct. 2541, 101 L.Ed.2d 490 (1988).

Likewise, committee notes should not be elevated to the status of a law which Congress did not pass. Therefore, it can be asserted that the Legislative History statement in § 1337 is no barrier to according ITC decision on patent questions preclusive

effective and the Legislative History statement in question should not be given undue weight by courts which pass upon the questions. Moreover, committee notes concern only issues of law interpretation and not findings of fact.

7. *Federal Agency Decisions are Normally Given Preclusive Effect.* When an administrative agency is acting in a judicial capacity and resolves disputed issues of fact properly before it which the parties have had an adequate opportunity to litigate, the courts have not hesitated to apply the doctrines of res judicata and collateral estoppel. See, e.g., *United States v. Utah Construction and Mining Co.*, 384 U.S. 394, 86 S. Ct. 1545 (1966). Absent a judicially cognizable contrary intention of Congress, it can be argued that the doctrines should apply to ITC factual determinations.

In *Utah Construction*, the preclusive effect applied to administrative fact finding was more analogous to a review on appeal than a collateral attack. In other words, the federal court action, as it was required by applicable law to be bound by the administrative findings of fact, was actually a continuation of the same agency action. See *Utah Construction*, *supra*, 86 S. Ct. at 1548-1549. Thus, *Utah Construction* involved facts apposite to parallel District Court and ITC proceedings which, in fact, are related but still collateral actions. As the ITC findings are reviewable by the Federal Circuit (on grounds substantially similar to those involved in a District Court action in *Utah Construction*), the ITC decision is more analogous to a court decision. Therefore, it can be argued that its conclusions of law, which may be challenged in the Federal Circuit, should be accorded the same effect as would those of a District Court. Hence, the *Utah Construction* criteria for application of collateral estoppel to federal agency determinations with *de novo* review of legal conclusions is not squarely on point.

Rather, ITC decisions should be accorded some preclusive effect, as would the decision of any District Court within the

Federal Circuit's jurisdiction. This is so, because anyone not satisfied with an ITC application of Title 35 can seek review in the Federal Circuit, and it is merely duplicative to preview such review by collaterally arguing one's legal assertions based on substantially the same evidence to a District Court. This is supported by *Sunshine Anthracite Coal Co. v. Adkins*, 310 U.S. 381, 60 S. Ct. 907 (1940), wherein the fact that Congress delegated a judicial function to an administrative agency, subject to review in the appropriate court of appeals, was held to preclude re-litigation of the matter at issue in District Court.

The valid position that a federal agency decision reviewed by a federal district court should be accorded *res judicata* and collateral estoppel effect, as to both factual and legal contentions on the one hand, but that ITC decisions reviewed on substantially the same factual and legal basis by the Federal Circuit should not receive the same preclusive effect as to both factual and legal contentions, is for the above reasons, without justification.

8. *The Benefits in Reducing Multiple Litigation Must be Balanced Against Any Prejudicial Effects.* As discussed above, the ITC hears a narrow range of cases, substantially consisting of cases with intellectual property issues. It is to be expected, therefore, that the ITC will be able to handle a patent case involving issues of validity and infringement with more expertise than most district judges, with some exceptions, of course. Therefore, it can be said that eliminating the "evils of vexatious litigation and waste of resources" caused by duplicitous litigation, and the need for quick decision in matters involving international commerce, outweigh the benefits of according the parties the right to have patent issues affecting them resolved by jury before a federal district court. (By proceeding before the ITC, the patentee has elected remedies and waived any right to a jury).

As shown above, Congress has not expressly decided against giving preclusive effect to ITC decisions, and there are no legal barriers to so doing. Also, preclusive effect is generally granted to federal agency decisions. However, notwithstanding the absence of legal barriers to giving ITC decisions preclusive effect, there is a strong sentiment by some that the ITC proceeding, and that giving preclusive effect to such decisions would only perpetuate this unfairness. For the opponents of giving ITC decisions preclusive effect, therefore, the issue is one of fundamental fairness and not what is legally possible.

9. *Conclusion.* The goal of this subcommittee is to find ways to reduce duplication when proceedings are pending at the same time in the ITC and a District Court. Since an accused infringer cannot initiate an ITC proceeding, such duplication can only occur at the election of the patent or trademark owner who can start an ITC proceeding at any time. Thus, to the extent preclusive effect can be given to an ITC decision, it ought to apply to a decision against a complainant, who elected such a course and should be bound by the result of his/her election. The proposed resolutions seek to reduce duplication of effort, while accounting for the concerns of many that ITC proceedings tend to be unfair to the respondent.

APPENDIX L

**AIPLA
QUARTERLY
JOURNAL**

The Boundaries of Discovery in Patent Litigation: Privilege,
Work Product and Other Limits *Laurence H. Pretty*

Employer's Rights to Inventions and Patents of Its Officers,
Directors and Employees *Paul C. Van Slyke &
Mark M. Friedman*

The Status of Dual Path Litigation in the ITC and the Courts:
Issues of Jurisdiction, *Res Judicata* and Appellate Review
*Michael A. Ritscher, Albert Tramposch, Thomas J. O'Connell
& Lisa Barons*

1989 Robert C. Watson Award:

First-to-File: Is American Adoption of the International Stan-
dard in Patent Law Worth the Price? *Charles R. B. Macedo*

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**AMERICAN INTELLECTUAL
PROPERTY LAW ASSOCIATION**

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**THE STATUS OF DUAL PATH LITIGATION IN THE ITC
AND THE COURTS: ISSUES OF JURISDICTION, RES
JUDICATA AND APPELLATE REVIEW**

Michael A. Ritscher*, Albert Tramposch**, Thomas J.
O'Connell† and Lisa Barons‡

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I. INTRODUCTION

Imported products, unlike domestic products, can be challenged in dual path litigation¹ involving the same parties and the same rights in both civil court and before the International Trade Commission.² Intellectual property rights are an increasingly important factor in international trade,³ and the use of dual path litigation has become an established tool for protecting those rights.

The growth in the use of dual path litigation has not been without its problems. The recent GATT panel report⁴ and its adoption by the U.S. has triggered an intense effort for reform of the international trade protection system.⁵ It is the assumption

¹ See Lupo, *Dual-Path Litigation Before the International Trade Commission and the Federal Courts in Import Cases Involving U.S. Patents*, 22 Pat. L. Ann. 411, 412 (1984)

² "ITC" or "Commission". Section 337 of the U.S. Tariff Act of 1930, as amended in 1974 and 1988 (19 U.S.C. §1337), provides the ITC with the power to restrict imports which infringe U.S. intellectual property rights. This form of protection exists separately from and in addition to the usual enforcement of these rights in federal and state courts.

³ See, e.g., Turnbull, *Intellectual Property Rights and GATT: TRIPs at the Midterm*, 1(3)J. Proprietary Rts. 9 (1989).

⁴ *United States - Section 337 of the Tariff Act of 1930, Report by the Panel*, General Agreement on Tariffs and Trade (November 23, 1988). For an excellent summary of the background of the GATT panel report, see the talk by Prof. Harold H. Koh, Proceedings of the Eighth Annual Federal Judicial Conference, May 31, 1990, to be reprinted at ____ F.R.D. ____ (199__).

⁵ The Office of the United States Trade Representative requested written comments on possible amendments to section 337, and "other relevant statutes". The period for comments closed on March 26, 1990. 55 Fed. Reg. 3503-04 (Feb. 1, 1990).

of most practitioners in the field that changes will be made to Section 337 proceedings in response to the GATT panel report.⁶

Whatever changes are made to the unfair import or intellectual property protection systems, they should not be made in a reactive mode. They should be well considered, and should conform to established principles of U.S. jurisprudence, while at the same time satisfying the needs of the U.S.'s partnership role in international trade relations.

There is no doubt that there is need for reform of Section 337. Even without the GATT report, there are sufficient problems within the U.S. system itself to warrant a hard look at unfair import protection. Jurisdictional, *res judicata* and appellate uncertainties exist that necessitate change.

It is the intent of this Article to review the status of these jurisdictional, *res judicata* and appellate review issues between the ITC and civil courts, to encourage changes that are responsive to and in conformance with U.S. jurisprudence rather than merely reactive.

II. ASPECTS OF DUAL PATH LITIGATION

Approximately every third investigation before the ITC is accompanied by a proceeding in a federal court.⁷ With some exceptions, such as the fact that ITC investigations are usually concluded more quickly, the procedures before the Commission

⁶ See Statement By Ambassador Hills on Section 337 and Enforcement of Intellectual Property Rights, November 7, 1989, Office of the United States Trade Representative ("[W]e are carefully and actively considering possible changes in enforcement of patent rights under section 337").

⁷ Lupo, 22 Pat. L. Ann. at 413 n.6.

and the courts are very similar.⁸ Although ITC proceedings are not formally governed by the Federal Rules of Civil Procedure, the ITC frequently looks to those rules for guidance.⁹ The primary adjudicated issues, namely the validity, enforceability and infringement of the intellectual property rights, are typically the same. However, a complainant in the ITC bears the additional burden of proving the existence of a domestic industry, or that one is in the process of being established.¹⁰ As to affirmative defense, the ITC has the duty to examine the validity and

⁸ As to the differences in procedure before the ITC and the courts, see generally Lever, *Unfair Methods of Competition in Import Trade: Actions Before the International Trade Commission*, 41 Bus. Law. 1165 (1986); Wineburg, *Litigating Intellectual Property Disputes at the International Trade Commission*, 68 J. Pat. Off. Soc'y 473 (1986); Newman & Lipman, *Representing Respondents in a Section 337 Investigation of the United States International Trade Commission*, 20 Int'l Law. 1187 (1986); Wilson & Hovanec, *The Growing Importance of Trademark Litigation Before the International Trade Commission Under Section 337*, 76 Trademark Rep. 1 (1986); Perry, *Administration of Import Trade Laws by the United States International Trade Commission*, 3 B.U. Int'l L.J. 345 (1985); Budoff, *A Practitioner's Guide to Section 337 Litigation Before the International Trade Commission*, 17 Law & Pol'y Int'l Bus. 519 (1985); Duvall, *The Rule of Law in International Trade: Litigating Unfair Trade Practice Cases Before the United States International Trade Commission*, 15 Law Am. 31 (1983); Weiss, *Section 337: An Activist I.T.C.*, 14 Law & Pol'y Int'l Bus. 905 (1982); Fernicola, *Scope of Action Against Unfair Import Trade Practices Under Section 337 of the Tariff Act of 1930*, 4 Nw.J. Int'l L. & Bus. 234 (1982); Kaye, Lupo & Lipman, *The Jurisdictional Paradigm Between the United States International Trade Commission and the Federal District Court*, 64 J. Pat. Off. Soc'y 118 (1982).

⁹ The ITC's adjudicative procedures, which generally bear a striking resemblance to the Federal Rules of Civil Procedure, are set forth in 19 C.F.R. §§ 210.1-210.71.

¹⁰ 19 U.S.C. § 1337(a)(2).

enforceability of a petitioner's intellectual property rights¹¹ upon request of the respondent or the ITC's investigative attorney. After the changes of 1988, Section 337 actions have acquired even more of the character of civil litigation than an administrative proceeding.¹²

Section 337 proceedings offer some distinct advantages over district court action.¹³ The ITC's *in rem* jurisdiction¹⁴ is especially helpful against "knock-offs". General exclusion orders are available with nationwide reach and enforcement by

¹¹ See the detailed historical overview in *Lannom Mfg. Co., Inc. v. USITC*, 799 F.2d 1572, 1576-79, 231 USPQ 32, 35-37 (Fed. Cir. 1986); see also *Young Engineers, Inc. v. USITC*, 721 F.2d 1305, 1315, 219 USPQ 1142, 1152 (Fed. Cir. 1983) ("The 1975 amendment of the statute which added the provision in § 1337(c), 'All legal and equitable defenses may be presented in all cases' was a major change which reflects a recognition that essentially private rights are being enforced in the proceeding"); *Sealed Air Corp. v. USITC*, 645 F.2d 976, 995-96, 209 USPQ 469, 484-86 (CCPA 1981) (Nies, J. dissenting); Kaye & Plaia, *Revitalization of Unfair Trade Causes in the Importation of Goods: An Analysis of the Amendments to Section 337* (Part II: Conclusion), 57 J. Pat. Off. Soc'y 269, 277-80 (1975).

¹² See, e.g., the changes made to the Rules Governing Investigations and Enforcement Procedure Pertaining to Unfair Practices Import Trade in 19 C.F.R. § 210 and 211.

¹³ One advantage that existed until the enactment of the Process Patent Amendments Act of 1988, 35 U.S.C. § 271(g), as amended by the Omnibus Trade and Competitiveness Act, was that section 337(a) provided the only remedy for U.S. process patent holders where the process was practiced abroad and the product of the process was imported into the United States. *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 527 (1972). For an example of what problems arose under the old law see *Akzona, Inc. v. E.I. du Pont de Nemours & Co.*, 662 F.Supp. 603, 4 USPQ2d 1113 (D.Del. 1987); see also Kaye, Lupo & Lipman, 64 J. Pat. Off. Soc'y at 120.

¹⁴ 19 U.S.C. § 1337(d); see Wineburg, *Litigating Intellectual Property Disputes at the International Trade Commission*, 69 J. Pat. Off. Soc'y 473, 497 (1986).

the U.S. Customs Service.¹⁵ Also, the speed of a Section 337 investigation¹⁶ and the expectation that ITC decisions will not have preclusive effect, may make the ITC a more attractive forum to complainants than an Article III court.¹⁷ The costs, on the other hand, are generally as high in a Section 337 proceeding as they are in court and therefore present no particular advantage.¹⁸

The advantages of district court actions over ITC actions include the availability of damages, the *res judicata* effect of Article III court judgments, and the availability of injunctive relief against non-importing domestic infringers.

There are reasons that an intellectual property action may end up in both the ITC and the courts. The first reason arises in situations where a complainant opts in favor of the ITC, and the alleged infringer, wishing to invalidate the underlying property right, files a declaratory judgment action in district court.¹⁹ A second situation is where the complainant itself is motivated to

¹⁵ 19 U.S.C. § 1337(d).

¹⁶ In 1988 the deadline for the Commission to decide whether to grant temporary relief was shortened from 9 months to 90 days (150 in more complicated cases). 19 U.S.C. § 1337(e)(2). The entire case must still be completed within 12 months (18 in more complicated cases). 19 U.S.C. § 1337(b)(1). The advantage of speed, however, is not present in every case, as some district court proceedings are sometimes even quicker. See, e.g., *Ashlow, Ltd. v. Morgan Constr. Co.*, 672 F.2d 371, 373 (4th Cir. 1982).

¹⁷ See Lever, *Unfair Methods of Competition in Import Trade: Actions Before the International Trade Commission*, 41 Bus. Law. 1165, 1167 (1986); Lupo, 22 Patent L. Ann. at 414-19.

¹⁸ See Lupo, 22 Patent L. Ann. at 425.

¹⁹ Declaratory Judgement Act, 28 U.S.C. § 2201 et seq. (1977 & Supp. 1989).

file in both fora simultaneously, for instance in order to recover damages which are not available in a Section 337 proceeding. Still another situation occurs where the intellectual property owner, unsuccessful in one forum, tries again in the other on the assumption that he is not estopped by the prior judgment. Finally, since both proceedings are usually very expensive, double litigation has been used to force the other party to a settlement.²⁰

On the other hand, there are dangers in pursuing dual path litigation in lieu of fully litigating a single path. For instance, where a party foregoes appeal of the decision in the first forum, that first decision may end up precluding litigation in the second forum.²¹ However, at least one court has allowed the losing party a second chance to file an appeal, where the party did not have reason to believe that the decision would be preclusive.²²

III. JURISDICTIONAL CONSIDERATIONS

Dual path litigation is made possible by the jurisdictional statutes, which allow litigation between the same parties based on the same intellectual property rights in both civil courts and in the ITC. The exclusivity of the jurisdiction conferred by the statutes has in some cases been interpreted to prevent preclusive effect of one action that would otherwise block a second action.

²⁰ See Lupo, 22 Patent L. Ann. at 423, 425.

²¹ See *Aunyx Corp. v. Canon, U.S.A. Inc.*, Civ. Action No. 86-2083-Mc (D. Mass. June 6, 1989) (available at 1989 U.S. Dist. Lexis 7260, 1989 WestLaw 73296). In *Aunyx*, the complainant lost at the ITC on antitrust/unfair competition issues. It filed an appeal in the Federal Circuit, then voluntarily withdrew the appeal "to pursue their action pending before this Court". The district court held that the ITC decision was *res judicata* for non-patent issues that had been fully and fairly litigated, and dismissed those counts on summary judgment.

²² *Union Mfg. Co. v. Han Baek Trading Co.*, 763 F.2d 42, 46, 226 USPQ 12, 15 (2d Cir. 1985). See *infra*, text at n. 86.

An understanding of the “jurisdictional thicket that surrounds the ITC and district court”²³ is necessary to evaluate the recent cases which have purported to resolve the *res judicata* issue on jurisdictional grounds.

A. Jurisdiction In The District Court

The jurisdiction of the federal courts for protection of intellectual property is grounded in 28 U.S.C. Section 1338.²⁴ The nature of the jurisdiction varies depending on the intellectual property right involved. The district court’s jurisdiction is “original” in patent, copyright, plant variety and trademark cases, and “exclusive” in patent, copyright and plant variety cases.²⁵

Within their jurisdiction, the courts apply the appropriate statutes, e.g., 35 U.S.C. in patent cases, 17 U.S.C. in copyright cases, 15 U.S.C., Chapter 22 in trademark cases. The remedies available include injunctions and damages, as well as costs, increased damages and attorney fees.

²³ *Akzona*, 662 F.Supp. at 606 n.7, 4 USPQ2d at 1114 n.7.

²⁴ 28 U.S.C. § 1338:

(a) The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trade-marks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases.

(b) The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent, plant variety protection or trade-mark laws.

(c) Subsections (a) and (b) apply to exclusive rights in mask works under chapter 9 of title 17 to the same extent as such subsections apply to copyrights.

²⁵ 28 U.S.C. § 1338(a).

1. *“Original” Jurisdiction Of Patent, Copyright And Trademark Actions Arising Under Federal Law*

The statute gives the district court “original jurisdiction” over patent, copyright and trademark actions. Original jurisdiction is defined as “Jurisdiction to take cognizance of a cause at its inception, try it, and pass judgment upon the law and facts.” It is “[d]istinguished from *appellate* jurisdiction.”²⁶ Thus, “original jurisdiction” means that a case may be brought in that court in the first instance, as opposed to being brought on appeal from another court.

Original jurisdiction does not of itself imply exclusive jurisdiction. In section 1338, of the four enumerated types of original jurisdiction — patents, copyrights, plant varieties and trademarks — only three are made exclusive — patents, copyrights and plant varieties. Thus, “original” cannot imply “exclusive”, or the limited grant of exclusive jurisdiction would be meaningless.

2. *“Exclusive” Jurisdiction Over Patent And Copyright “Actions”*

The statute gives “exclusive” original jurisdiction over patent, copyright and plant variety protection cases.²⁷ A close reading of the statute shows that Section 1338(a) grants jurisdiction over such actions that is “exclusive of the courts of the states”. There is no specific mention in the statute of the ITC or other administrative bodies. The “exclusive” jurisdiction

²⁶ Black’s Law Dictionary at 991 (5th ed. 1979) (emphasis in original).

²⁷ 28 U.S.C. § 1338(a).

granted refers to the court's "original jurisdiction of any civil action arising under an Act of Congress relating to patents."²⁸

Trademarks are omitted from the exclusivity clause of the statute. Consequently, both state and federal courts have jurisdiction to adjudicate trademark claims. Infringement suits that have been brought in state court for infringement of federally registered trademarks are removable to the federal courts on the initiative of the defendant.²⁹

3. *Non-Exclusive Jurisdiction Over Patent "Issues"*

The exclusive jurisdiction granted under 28 U.S.C. Section 1338(a) is not exclusive for all patent-related issues. Rather it is exclusive in the sense that the district court is the only court in which an action based on federal patent statutes may be brought.³⁰ Actions based on license contracts, state antitrust statutes, etc., may involve patent issues, but they do not thereby

²⁸ *Id.*; see *Speedco, Inc. v. Estes*, 853 F.2d 909, 911, 7 USPQ2d 1637, 1639 (Fed. Cir. 1988) ("the jurisdictional test under section 1338(a) is not confined solely to the 'relating to patents' language of the statute, but requires also that the action be one 'arising under' the federal laws") (citing *Christianson v. Colt Industries Operating Corp.*, 486 U.S. 800, 7 USPQ2d 1109 (1988)).

²⁹ See *J.T. McCarthy, Trademarks and Unfair Competition* § 32.1 at 680 (1984 & Supp. 1989).

³⁰ See *New Marshall Engine Co. v. Marshall Engine Co.*, 223 U.S. 473, 478 (1912), cited in *Telectronics*, 687 F.Supp. at 846 nn.43-44, 7 USPQ2d at 1787-88 nn.43-44.

fall within the exclusive jurisdiction of the district court.³¹ The argument that the state courts are not competent to decide patent questions has been rejected by the Federal Circuit.³²

Thus, a state court with jurisdiction over an action sounding in a license contract, for example, may properly adjudicate patent issues that are necessary to resolve the cause before it. How-

³¹ *Lear, Inc. v. Adkins*, 395 U.S. 653, 675-76, 162 USPQ 1, 10 (1969) (action based on patent license remanded to California state courts for consideration of invalidity defense); *Intermedics Infusaid, Inc. v. Regents of the Univ. of Minn.*, 804 F.2d 129, 133, 231 USPQ 653, 656 (Fed. Cir. 1986) ("there are no policies reflected in acts of Congress which require that the federal courts enjoin . . . a state court contract suit seeking royalties payable under a patent license wherein the state court is or could be asked by the defendant to rule on the validity of the patent"); *In re Oximetrix, Inc.*, 748 F.2d 637, 641, 642, 223 USPQ 1068, 1071 (Fed. Cir. 1984) ("Whether patent issues were raised during the state court trial or were referred to in the state court's decision would not change the basic nature of the action. . . . [T]hat a defense raises a federal question is immaterial"); *Beghin-Say Int'l v. Ole-Bendt Rasmussen*, 733 F.2d 1568, 1571, 221 USPQ 1121, 1123 (Fed. Cir. 1984).

³² *Speedco, Inc.*, 853 F.2d at 913, 914-15, 7 USPQ2d at 1641, 1642:

Speedco argues that the failure to find jurisdiction in the district court in these circumstances would subject Speedco to the "unappealing prospect" of having its patent rights determined in the state courts of Kentucky. However, the statutory limitations on the jurisdiction of this court and the federal district courts, in conjunction with the well-pleaded complaint rule, can and do result in state courts resolving patent issues.

* * * *

So, unless Congress changes its mind and alters the language of section 1338, Speedco will have to share Congress's trust in the abilities of the state courts to interpret and apply federal law in order to resolve patent issues necessary to the decision of the case before them.

ever, the state court is required to apply Federal Circuit precedent in deciding those issues.³³

B. Jurisdiction In The ITC

The jurisdiction of the ITC for protection of intellectual property rights is grounded in Section 337.³⁴ The ITC has the power to exclude products from entry into the United States if they constitute "unfair practices in the importation of articles".³⁵

Prior to 1988, a complainant in the ITC had to prove injury to an efficiently and economically operated United States industry in order to establish a violation of Section 337.³⁶ This requirement was in certain cases difficult to satisfy.³⁷ With the passage of the Omnibus Trade and Competitiveness Act of 1988,³⁸ the injury requirement was eliminated in cases based on

³³ *Speedco, Inc.*, 853 F.2d at 914, 7 USPQ2d at 1642 ("As Congress created this court in order to bring uniformity to the national law of patents, presumably the state courts confronted with issues of federal law which relate to patents will therefore also look to the decisions of this circuit for guidance").

³⁴ 19 U.S.C. § 1337.

³⁵ 19 U.S.C. § 1337(a)(1).

³⁶ 19 U.S.C. § 1337(a).

³⁷ See, e.g., *Corning Glass Works v. USITC*, 799 F.2d 1559, 1567, 230 USPQ 822, 827 (Fed. Cir. 1986). The rationale for this added burden was at least in part that a section 337 proceeding was not purely private litigation between the parties but rather an investigation by the Government, involving rights that extended beyond those of the litigants. See also *Young Engineers*, 721 F.2d at 1315, 219 USPQ at 1152.

³⁸ Pub. L. No. 100-418, 102 Stat. 1107 (1988). Legislative history: 133 Cong. Rec. S10364-S10365, H.R. Rep. No. 576, 100th Cong. 2d Sess. 635-636 (1988), 134 Cong. Rec. H1863, H2044.

a valid and enforceable patent,³⁹ copyright,⁴⁰ a registered trademark,⁴¹ or a registered mask work.⁴²

1. Exclusive Jurisdiction Over Import Matters

The ITC's jurisdiction over matters of unfair importation of articles is exclusive of the district courts.⁴³ The rights granted under the patent laws to exclude others from "making, using, or selling" a patented invention do not include the right to exclude others from importation of infringing articles.⁴⁴ Thus, the ITC alone has the power to prohibit importation of goods that infringe valid U.S. intellectual property rights.

³⁹ 19 U.S.C. § 1337(a)(1)(B)(i) (Supp. 1989). Under the new statute, injury is presumed if the unfair act is infringement of a valid and enforceable intellectual property right.

⁴⁰ *Id.*

⁴¹ 19 U.S.C. § 1337(a)(1)(C), (1983 & Supp. 1989).

⁴² 19 U.S.C. § 1337(a)(1)(D), (1983 & Supp. 1989).

⁴³ 19 U.S.C. § 1337(b)(1). See *Ashlow*, 672 F.2d at 375 ("The District Court has no jurisdiction over the importation of articles in commerce"); see also *In re Orion Co.*, 71 F.2d 458, 467 (CCPA 1934):

The jurisdiction of district courts and the scope of any decree issued by them do not extend to the importation or exclusion of imported merchandise from entry into the United States. Section 316, therefore, as construed by the Tariff Commission on its findings now before the Court of Customs Appeals for review, affords an exclusive remedy.

Section 316 is the predecessor of Section 337. *The Glidden Co. v. Zdanok*, 370 U.S. 530, 579 n.50 (1962).

⁴⁴ See 35 U.S.C. § 271.

2. *Jurisdiction To Consider Patent Issues*

The ITC has always had the power to consider non-infringement as a defense to a complaint asserting unfair trade practices based on a U.S. patent.⁴⁵ However, prior to 1974, the ITC did not have the power to entertain a defense that asserted the invalidity or unenforceability of the patent itself. The Commission was required to treat a patent as valid unless and until the patent was invalidated by an action in district court.⁴⁶

Under the revision of the Tariff Act in 1974,⁴⁷ the ITC was empowered to examine the validity and enforceability of a patent upon request of the respondent or the ITC's investigative attorney.⁴⁸ The legislative history to the 1974 amendments⁴⁹ made it clear that such determinations of the validity and enforceability of a patent were not intended by Congress to be binding

⁴⁵ See, e.g., *Frischer & Co. v. Bakelite Corp.*, 39 F.2d 247, 260 (CCPA), *cert. denied*, 282 U.S. 852 (1930).

⁴⁶ See *Lannom Mfg.*, 799 F.2d at 1577, 231 USPQ at 36.

⁴⁷ See *supra* at n.11.

⁴⁸ *Lannom Mfg.*, 799 F.2d at 1576-79, 231 USPQ at 36-37; *Young Engineers*, 721 F.2d at 1315, 219 USPQ at 1152.

⁴⁹ S. Rep. No. 1298, 93d Cong. 2d Sess. 196, 1974 U.S. Code Cong. & Admin. News 7186, 7329 states in part:

[I]n patent-based cases, the Commission considers, for its own purposes under section 337, the status of imports with respect to the claims of U.S. patent. The Commission's findings neither purport to be, nor can they be, regarded as binding interpretations of the U.S. patent laws in particular factual contexts. Therefore, it seems clear that any disposition of a Commission action by a Federal Court should not have a *res judicata* or collateral estoppel effect in cases before such courts.

in subsequent actions on a district court, apparently indicating that the grant of jurisdiction was limited on these issues.⁵⁰

In the Omnibus Trade and Competitiveness Act of 1988, Congress amended Section 337 to eliminate the required showing of injury in cases based on infringement of certain valid and enforceable intellectual property rights.⁵¹ The effect of this change was that, while prior to 1988,⁵² validity and enforceability could be raised only in response to a complaint (and therefore were not part of the ITC's original jurisdiction), after 1988 these issues became elements of the cause of action itself (i.e., became aspects of the ITC's original jurisdiction), and are required to be pleaded in the complaint.

C. *Conflicting Jurisdiction*

The source for dual path litigation, and for the conflicts between the ITC and district courts arising from dual path litigation, lies in the jurisdictional statutes.⁵³ The Fourth Circuit summarized the problem as one of "conflicting jurisdictions,"⁵⁴ and stated:

⁵⁰ There is no explicit limitation for infringement in the legislative history.

⁵¹ 19 U.S.C. § 1337(a)(1)(B)(i). The added section makes "unlawful", for example, the "importation" of articles that "infringe a valid and enforceable United States patent".

⁵² But after 1974.

⁵³ This jurisdictional controversy between administrative bodies and the federal courts is not new or unexplored. See, e.g., *Glidden*, 370 U.S. at 582-83. In *Glidden*, the Supreme Court considered whether judges from the Court of Customs and Patent Appeals, because of the unique nature of its jurisdiction, could sit by designation in federal district or appeals courts.

⁵⁴ *Ashlow*, 672 F.2d at 374.

In short, the Congress has created two separate jurisdictions: One with jurisdiction over “unfair acts” in connection with the importation of articles from abroad (the Commission), and the other with jurisdiction over the validity of domestic patents (the district court).⁵⁵

These jurisdictions have collided primarily in two situations: first, where one tribunal is asked to exercise mandamus jurisdiction over the other; and second, where one tribunal is faced with a final decision of the other and is asked to give that decision preclusive effect.

1. *Simultaneous Proceedings—Mandamus Jurisdiction*

Where the district court and ITC proceedings are taking place simultaneously, one tribunal may be asked to grant an injunction affecting the litigation in the other tribunal. Because of the separate jurisdictional spheres of the two tribunals, each is loathe to encroach upon the other. The district court in *In re Convertible Rowing Exerciser Patent Lit.*⁵⁶ refused to stay a parallel Section 337 investigation involving the same parties. The Court reasoned that neither Section 337(b)(1)⁵⁷ nor 20 U.S.C. Section 1651⁵⁸ was a sufficient ground for the district to

⁵⁵ *Id.* at 375 (footnote omitted).

⁵⁶ 616 F.Supp. 1134, 228 USPQ 726 (D. Del. 1985).

⁵⁷ Section 337 explicitly allows for the possibility of suspending an ITC investigation “because of proceedings in court or agency of the United States involving similar questions concerning the subject matter of such investigation”. 19 U.S.C. § 1337(b)(1).

⁵⁸ The All Writs Act.

suspend an ongoing ITC investigation.⁵⁹

Likewise, in *Ashlow*,⁶⁰ the Fourth Circuit held that the district court had no mandamus jurisdiction over the ITC. In response to the district court's judgment of invalidity and unenforceability of the patent at issue, the Commission had ordered respondent to post a bond on its imports during the period of appellate review of the district court's judgment. The district court issued an order staying the Commission's bond order, which the Circuit Court vacated: "There is no authority under § 1651 for either jurisdiction to review the actions and decisions of the other. That being true, there is no jurisdiction in either to mandamus the other in the exercise of its exclusive jurisdiction."⁶¹

Certainly a court or the ITC (within its statutory time limits) is free to stay its own proceedings and wait for a decision in a simultaneous litigation. However, such a stay in district court would make little sense where the ITC determination would have no bearing on the administration or outcome of the district court action.⁶² In fact, the Federal Circuit has questioned the

⁵⁹ 616 F.Supp. at 1138, 228 USPQ at 728 ("Neither a federal district court nor the ITC may transgress upon the jurisdiction of the other"). The same court later, however, declined to give the final decision of the ITC *res judicata* effect in its own proceedings, on the grounds that the district courts have exclusive jurisdiction over patent matters. *In re Convertible Rowing Exerciser Patent Lit.*, 721 F.Supp. 596, 12 USPQ2d 1277 (D. Del. 1989).

⁶⁰ 672 F.2d 371.

⁶¹ *Id.* at 375. The CCPA also refused to compel the Commission to revoke its order by mandamus on the grounds that it (the CCPA) had jurisdiction to entertain a direct appeal of the order. *Ashlow, Ltd. v. USITC*, 673 F.2d 1265, 213 USPQ 351 (CCPA 1982).

⁶² See *Convertible Rowing*, 616 F.Supp. at 1139, 228 USPQ at 728 ("Moreover, there is no indication on this record that the ITC investigation will in any way frustrate or impinge upon federal district court administration of this particular multidistrict litigation").

practice where a district court stayed a patent infringement action pending resolution of an appeal from an ITC determination.⁶³

In actions involving non-patent issues, stays have been granted pending appeal of ITC determinations.⁶⁴

2. *Successive Proceedings*

Where one tribunal has made a final determination on intellectual property matters, the question arises whether the final determination was so within the jurisdiction of the first tribunal so as to preclude relitigation in the second tribunal.

a. *Patent Matters*

The jurisdictional conflict between the ITC and the courts on patent matters is primarily centered around the “exclusive” grant of original jurisdiction to the district court in Section 1338(a). The statute grants exclusive “original jurisdiction of any civil action arising under any Act of Congress relating to patents”.⁶⁵

⁶³ *Corning Glass*, 799 F.2d at 1570 n.12, 230 USPQ at 830 n.12:

The [district court] action has been stayed pending resolution of this appeal. We question this practice which appears to cause unnecessary delay in resolution of the basic dispute between the parties. Here, non-patent issues are dispositive of this case. Moreover, the ITC takes the position that its decisions have no *res judicata* effect in such litigation. Although this question has not been addressed by this court, the legislative history of the Trade Reform Act of 1974 supports the Commission’s position. . . . [citation omitted].

⁶⁴ See *Baltimore Luggage Co. v. Samsonite Corp.*, 727 F.Supp. 202, 207, 13 USPQ2d 1450, 1457 (D. Md. 1989).

⁶⁵ Under the statute, the district courts have not been granted either original or exclusive jurisdiction over patent “issues”, but only over patent “actions” that arise under an Act of Congress.

As stated above,⁶⁶ the exact wording of the statute merely gives jurisdiction that is “exclusive of the courts of the states”.⁶⁷ The statute is silent as to exclusivity with respect to the ITC. Moreover, validity and enforceability are now among the issues to be pleaded in the complaint under Section 337.⁶⁸

Since Congress granted original jurisdiction that is exclusive of courts of the states only, the ITC’s original jurisdiction under Section 337 should not be interpreted as limited.

Further, it is problematical whether the restrictive statements in the 1974 legislative history, that ITC determinations of validity and enforceability⁶⁹ are not to be considered *res judicata* in district court, would still apply after 1988, when Congress elevated these issues into the original jurisdiction of the ITC. The statements of the 1974 legislative history apply to affirmative defenses.⁷⁰ Those statements are less persuasive when applied to elements of cause of action.

⁶⁶ See *supra*, text at nn.27-28.

⁶⁷ Patent issues may be brought in state courts only as affirmative defenses. They may not appear in counterclaims; they may not be a basis of the complaint. See *Speedco, Inc.*, 853 F.2d at 913, 7 USPQ2d at 1641. In *Speedco*, the Federal Circuit held that the district court did not have jurisdiction over a contract claim, as plaintiff “would not need to prove as an element of his well-pled contract claim that the ‘833 patent is valid’”. The court stated, “The invalidity of the patent merely would be raised by Speedco, if at all, as an excuse for its failure to perform under the contract, and therefore would only be an element of the defense to the contract action to recover the overdue installment payments.”

⁶⁸ 19 U.S.C. § 1337(a)(1)(B)(i) makes “unlawful” the “importation” of articles that “infringe a valid and enforceable United States Patent.” See *supra*, text at n.52.

⁶⁹ These were first allowed by the 1974 amendments.

⁷⁰ See *Lannom*, 799 F.2d at 1577, 231 USPQ at 36.

Nevertheless, the courts have held that the “exclusive” jurisdiction of the district court granted by Section 1338(a) prevents giving preclusive effect to a prior ITC determination on patent issues. The following case illustrates:

i. In re Convertible Rowing Exerciser Patent Litigation

In considering a motion for summary judgment, the U.S. District Court for the District of Delaware addressed what it characterized as an “issue of first impression,” which “may affect the emerging patent litigation strategy of ‘testing the water’ on patent validity, enforceability and infringement issues before the [ITC].”⁷¹ The court was asked to grant summary judgment of invalidity based on an ITC determination of patent invalidity which had been affirmed by the Federal Circuit in an unpublished opinion.⁷²

The Court held that the jurisdiction of the district courts in patent matters and the ITC in trade matters is exclusive and not overlapping. While the ITC of necessity must make determinations of validity, enforceability and infringement in the course of exercising its jurisdiction over trade matters, the district court maintains its exclusive original jurisdiction under 28 U.S.C. Section 1338 over those same patent “issues.”⁷³ The court concluded, “In order to preserve the jurisdictional structure intended by Congress in patent matters, this Court must deny

⁷¹ *In re Convertible Rowing*, 721 F.Supp. at 597, 12 USPQ2d at 1276. The court considered that the issue was one of first impression because of the fairly recent unified appeals path from both the ITC and district courts to the Federal Circuit. *Id.*

⁷² *Diversified Products Corp. v. USITC*, 824 F.2d 980 (Fed. Cir. 1987) (unpublished).

⁷³ 721 F.Supp. at 600-02, 12 USPQ2d at 1279-81. The court referred to the “validity and enforceability” language of the legislative history. There is no reference in the legislative history to the issue of infringement, nor was such a reference essential to the court’s decision.

preclusive effect to the ITC determination.”⁷⁴ The court further reasoned that the specific questions on review from ITC determinations differed “in both form and substance” from those on review from district court actions:

The Federal Circuit reviews district court decisions under section 1338 with regard to patent validity, enforceability and infringement; whereas, the Federal Circuit reviews whether the ITC made the correct determination under section 337 as to unfair trade practices in import trade.⁷⁵

b. Non-Patent And Patent-Related Matters

In non-patent decisions, where the exclusivity of district court jurisdiction is not statutorily mandated, courts considered themselves free to grant preclusive effect to ITC determinations. The following cases illustrate:

i. Baltimore Luggage v. Samsonite

In this recent case, the court granted preclusive effect to an ITC determination concerning affirmative defenses of antitrust and unfair competition.⁷⁶ In response to the argument that Section 337 was meant to supplement rather than to replace other provisions of law, the court stated that the way in which Section 337 was intended to supplement other provisions was to provide a more effective remedy than those already available. “There is no support for the ITC’s [amicus] argument that Congress intended *adjudications* made during a § 1337 proceeding to be supplemental to adjudications in other proceedings.”⁷⁷ The

⁷⁴ *Id.* at 602. 12 USPQ2d at 1280.

⁷⁵ *Id.*

⁷⁶ *The Baltimore Luggage Co. v. Samsonite Corp.*, 727 F.Supp. 202, 13 USPQ2d 1450 (D. Md. 1989).

⁷⁷ *Id.* at 206, 13 USPQ2d at 1453 (emphasis in original).

court stated that since district court are not given exclusive jurisdiction over trademark and other non-patent matters, ITC decisions on such matters should be give preclusive effect.⁷⁸

ii. *Telectronics v. Medtronic*

In a patent case, the patent holder first filed in the ITC, and four months later the respondent filed a declaratory judgment action in district court.⁷⁹ Antitrust claims were subsequently added in the district court action. After the ITC made its determination, the respondent/plaintiff filed a motion in district court for partial summary judgment that the defense of a license with respect to one of the asserted patents was barred by *res judicata*, based on the prior ITC determination. The district court accorded the ITC determination preclusive effect on the ground that the matter had been within the jurisdiction of the ITC.⁸⁰

The court reiterated the usual rule that because the federal courts have exclusive jurisdiction over patent claims, the ITC may consider issues such as validity only to the extent that they impact on the Section 337 claim. However, the court held that ITC determinations of issues other than those for which the district court has exclusive jurisdiction carry preclusive weight:

Of concern in this motion is the effect of the ITC's determination as regards the existence of a license under a patent; this determination was not one of the validity of a pat-

⁷⁸ *Id.* at 206-07, 13 USPQ2d at 1454.

⁷⁹ *Telectronics Proprietary Ltd. v. Medtronic, Inc.*, 687 F.Supp. 832, 7 USPQ2d 1777 (S.D. N.Y. 1988).

⁸⁰ 687 F.Supp. at 846 ("Because the ITC decision was on a matter within its jurisdiction (the existence of a license is a defense to a claim of unfair competition), there is no jurisdiction-based reason why the ITC determination should not be accorded issue-preclusive effect").

ent, but of the existence of a contract. Tribunals other than the federal courts have the authority to decide matters involving contracts relating to patents.⁸¹

The court thus affirmed that the prior ITC determination concerning the existence of a license between the parties had preclusive effect.⁸²

iii. *Union Manufacturing v. Han Baek*

Following an unsuccessful action in the ITC based on trademark infringement, passing off and false designation of origin, the complainant filed an action in district court in lieu of appealing the decision to the Federal Circuit. Defendant answered by asserting *res judicata* based on the ITC determination. This defense was not addressed by the district court. Following a jury verdict of infringement, defendant appealed.

The Second Circuit⁸³ ruled that a party whose common-law trademark was held invalid by a final decision of the ITC was estopped from suing the same party on the same grounds in district court, instead of and before appealing the ITC decision. The court reasoned, "Litigants should not be able to circumvent the decisional authority of the ITC and the reviewing authority of the Federal Circuit by filing in a district court what amounts to a collateral attack on the ITC determination".⁸⁴ Re-

⁸¹ *Id.* at 846, 7 USPQ2d at 1787-88.

⁸² *Id.* at 847, 7 USPQ2d at 1788-89.

⁸³ *Union Mfg. Co. v. Han Baek Trading Co.*, 763 F.2d 42, 226 USPQ 12 (2d Cir. 1985).

⁸⁴ *Id.* at 45, 226 USPQ at 14. See also *Wilson v. Hovanec, The Growing Importance of Trademark Litigation Before the International Trade Commission under Section 337*, 76 Trademark Rep. 1, 17-18 (1986).

ferring to the jurisdictional issue, the court stated that the “jurisdictional bar to *res judicata* treatment of ITC patent validity determinations simply does not apply to other decisions by the ITC”.⁶⁵

In an unusual and creative remedy, the Second Circuit ordered the district court to stay its proceedings to allow the plaintiff the opportunity to file an appeal in the Federal Circuit.⁶⁶ If the Federal Circuit refused to take the appeal, the district court was to vacate the stay and retry the case. This novel remedy was instituted because the plaintiff’s belief that there would be no *res judicata* effect of the ITC action was reasonable, and because the judgment of the district court would have had to be vacated on other grounds in any event.⁶⁷ Thus, the court declined to penalize plaintiffs for their strategic misjudgment.⁶⁸

⁶⁵ 763 F.2d at 45, 226 USPQ at 14.

⁶⁶ At the time of the ITC action, there was no statutory time limit for appeals to be taken from ITC actions. *Id.* at 46, 226 USPQ at 15. A sixty-day time limit was enacted in 1984. See Trademark Clarification Act of 1984, Pub. L. No. 98-620, § 413, 98 Stat. 3335, 3362, codified at 19 U.S.C. § 1337(c).

⁶⁷ 763 F.2d at 46, 226 USPQ at 15.

⁶⁸ On appeal in the Federal Circuit, the ITC moved to dismiss on the grounds that the appeal was not filed within sixty days of the effective date of the legislation enacting the 60-day limit. The motion was denied based on the same reasoning as that of the Second Circuit, i.e., that Union’s behavior was not unreasonable under the circumstances. *Union Mfg. Co. v. USITC*, 781 F.2d 186, 228 USPQ 272 (Fed. Cir. 1985). The appeal went forward and was decided in an unpublished decision affirming the determination of no violation of section 337. *Union Mfg. Co. v. USITC*, 826 F.2d 1071 (Fed. Cir. 1987) (unpublished).

IV. *RES JUDICATA* CONSIDERATIONS

While the jurisdictional statutes create the possibility of dual path litigation, doctrines of judicial preclusion can limit or prevent such duplication of litigation. Due to the similarity of treatment in the two fora and the very high expense for both the parties and the judicial system of duplicative litigation, the courts try to apply the doctrines of *res judicata* or collateral estoppel whenever they can to preclude retrial of an already-decided issue or claim. While there are several aspects of preclusion determinations that are unique to the district court/ITC arena, many aspects are similar if not identical to the application in other spheres of jurisprudence.

A. *Administrative Res Judicata—ITC Determinations Are Presumed Preclusive*

As a starting point, there is no barrier to the application of *res judicata* to administrative determinations in the context of district court actions. It is well established that an administrative agency, when acting in a judicial capacity, can issue decisions that are final and binding on the district courts.⁹⁹ The standards for giving an administrative determination *res judicata* effect are the same as for a prior district court action, the primary question being whether the parties had a full and fair opportunity to litigate the issues in the first instance.⁹⁹ Fol-

⁹⁹ *United States v. Utah Constr. Co.*, 384 U.S. 394, 422 (1966) (“When an administrative agency is acting in a judicial capacity and resolves disputed issues of fact properly before it which the parties have had an adequate opportunity to litigate, the courts have not hesitated to apply *res judicata* to enforce repose”).

⁹⁹ *Convertible Rowing*, 721 F.Supp. at 600, 12 USPQ2d at 1278. The court found, however, that administrative *res judicata* did not apply, as the issues addressed by the ITC and the district court were “distinct in both form and substance”. *Id.* at 603, 12 USPQ2d at 1281. This was in reality a jurisdictional argument, *see supra*, Section III.C.2.a.i, as the patent issues considered in both cases are essentially identical.

lowing is a brief summary of the standards applied by the courts in considering issues of judicial preclusion.

The doctrine of judicial preclusion operates to prevent relitigation of a previously litigated claim between the same parties ("claim preclusion" or "*res judicata*"), or to prevent relitigation by one of the parties of a previously litigated issue ("issue preclusion" or "collateral estoppel").⁹¹ These doctrines⁹² may be invoked "defensively"⁹³ against a prior plaintiff who sues again, or "offensively"⁹⁴ to establish a matter that the

⁹¹ See *Jackson Jordan, Inc. v. Plasser Am. Corp.*, 747 F.2d 1567, 1575, 224 USPQ 1, 6 (Fed. Cir. 1984); Annotation, *Proper Test to Determine Identity of Claims for Purposes of Claim Preclusion by Res Judicata under Federal Law*, 82 A.L.R. Fed. 829. Claim preclusion may apply even if some issues have not been litigated. "Collateral estoppel" can in some jurisdictions also be based on inconsistent positions of the other party. See *Jackson Jordan*, 747 F.2d at 1575, 224 USPQ at 6.

⁹² For convenience here, collectively referred to as "*res judicata*". For the distinction between claim and issue preclusion and "bar", "merger", "direct estoppel" (issue preclusion by same claim) and "collateral estoppel" (issue preclusion by different claim) as provided by the Restatement (Second) of Judgments (1982) and as used by the Federal Circuit, see *Young Engineers*, 721 F.2d at 1314, 219 USPQ at 1150.

⁹³ See, e.g., *Blonder-Tongue Labs. v. University Found.*, 402 U.S. 313, 169 USPQ 513 (1971).

⁹⁴ See e.g., *Parklane Hosiery Co. v. Shore*, 439 U.S. 322 (1979).

opposing party lost in previous litigation against a third party.”

A policy favoring economic efficiency underlies the doctrine of *res judicata*. The relitigation of questions and disputes that have already been decided imposes needless costs on the parties and on the judicial system,” diverting time and money of the parties,” of the judicial system” and of society,” resulting in an

” See generally *Erbamont, Inc. v. Cetus Corp.*, 720 F.Supp. 387, 394 n.19, 12 USPQ2d 1344, 1350 n.19 (D. Del. 1989):

Under the traditional doctrine of *res judicata* (claim preclusion) a judgment on the merits in a prior suit bars a second suit involving the same parties or their privies based on the same cause of action. The related doctrine of collateral estoppel (issue preclusion) makes a determination of any issue actually contested between the parties and decided in a way necessary to the judgment conclusive between the parties and the privies in subsequent litigation between them on a different claim or cause of action. Unlike *res judicata*, collateral estoppel may be asserted by a stranger to the prior litigation, but (like *res judicata*) only against parties to the earlier proceeding and their privies. [citations omitted]

” “If litigation were costless, both to the litigants and to society, it might be desirable never to allow collateral estoppel to preclude a lawsuit. But with most mortal endeavors, litigation is not so blessed. Collateral estoppel is a rule of repose and as such is not always pure or just or even cognitive. Efficiency and economy in judicial administration have their places in our judicial schema”. *Blumcraft of Pittsburgh v. Kawneer Co., Inc.*, 482 F.2d 542, 549, 178 USPQ 513, 518 (5th Cir. 1973).

” *Blonder-Tongue*, 402 U.S. at 338, 169 USPQ at 523 (“These moneys could be put to better use, such as further research and development”).

” *Id.* at 348-49, 169 USPQ at 527.

” As to economic consequences when an invalid patent remains a viable basis of litigation, see *id.* at 346-47, 169 USPQ at 526-27.

economically undesirable misallocation of resources.¹⁰⁰

A democratic fairness principle also underlies the doctrine. First, it is unfair to the prevailing litigant to require it to go back over the same legal ground, with the threat that its first victory could be taken away in a second action. Second, the skyrocketing costs of litigation allow a powerful plaintiff who has lost once and is not impeded from suing again to more easily force an opponent to a settlement in the second suit.¹⁰¹ This danger is particularly acute in cases involving intellectual property, as the statutory presumption of validity renders the defendant's proof very expensive. "As a consequence, prospective defendants will often decide that paying royalties under a license or other settlement is preferable to the costly burden of challenging the patent."¹⁰²

The requirements for preclusion of litigation on a claim or issue are that: (1) the issue is identical to one decided in the prior action; (2) the issue was actually litigated in the prior action; (3) resolution of the issue was essential to final judgment in the prior action; and (4) the plaintiff had a full and fair opportunity to litigate the issue in the prior action.¹⁰³ The existence of a full and fair opportunity to litigate depends upon¹⁰⁴ (1) who

¹⁰⁰ *Id.* at 329, 219 USPQ at 519.

¹⁰¹ *Id.* at 338, 219 USPQ at 523.

¹⁰² *Id.*; see generally D. Chisum, Patents § 19.02[2].

¹⁰³ See *Blonder-Tongue*, 402 U.S. at 323, 169 USPQ at 517; *A.B. Dick Co. v. Burroughs Corp.*, 713 F.2d 700, 702, 218 USPQ 965, 967 (Fed. Cir. 1983), *cert. denied*, 464 U.S. 1042 (1984).

¹⁰⁴ See *Blonder-Tongue*, 402 U.S. at 333, 169 USPQ at 518 (1971); *Miller Brewing Co. v. Jos. Schlitz Brewing Co.*, 605 F.2d 990, 992-94, 203 USPQ 642, 643-48 (7th Cir. 1979), *cert. denied*, 444 U.S. 1102 (1980).

chose the forum; (2) incentive to litigate; (3) the court's grasp of the subject matter and issues; and (4) deprivation of crucial evidence.¹⁰⁵

B. *Res Judicata And Intellectual Property Rights*

Several factors distinguish preclusion of issues involving intellectual property rights from those involving on other issues. First, a finding that the rights at issue are valid and enforceable is a prerequisite in an action involving intellectual property. In the interests of economy and predictability, a preclusive finding of validity may be desirable. However, the very nature of intellectual property rights thwarts a "final" adjudication of validity.

Second, a finding of infringement or noninfringement is a finding only against the particular items at issue.¹⁰⁶ Once an accused infringer loses, it can still try to make or sell a different product to avoid the judgment of infringement.¹⁰⁷

Under *Blonder-Tongue*, a judgment of invalidity of a patent after a full and fair district court trial extends to all other actions involving the same patent. Therefore, the patentee is forever estopped from asserting the validity of the patent. In ef-

¹⁰⁵ Offensive use of collateral estoppel requires further that the plaintiff could not easily have joined in the earlier action, or that the application of estoppel is not unfair to a defendant. See *Parklane Hosiery*, 439 U.S. at 330-32 (1979). It would be unfair to apply offensive estoppel where (1) the defendant sued in the first action had no or little incentive to defend vigorously, (2) the judgment was itself inconsistent with prior decisions, or (3) the second action afforded the defendant procedural opportunities unavailable in the prior action that could readily cause a different result. *Id.*

¹⁰⁶ See *MGA, Inc. v. Centri-Spray Corp.*, 699 F.Supp. 610, 613-15, 7 USPQ2d 1861, 1863-65 (E.D. Mich. 1987).

¹⁰⁷ *Young Engineers*, 721 F.2d at 1316-17, 219 USPQ at 1152.

fect, the patent itself is branded as invalid; a type of “in rem invalidity”.¹⁰⁸

Validity of a patent, on the other hand, cannot be determined with finality. The validity of a patent is presumed¹⁰⁹ until rebutted. A finding against one challenging a patent is not a determination of validity, but is rather, as the Federal Circuit has identified, that the “one attacking validity has not overcome the statutory presumption of validity”,¹¹⁰ i.e. that the patent is “not invalid”.

Intellectual property rights are of great importance to the public interest¹¹¹ because they are exceptions to the general rules against monopolies. The availability of continuing challenges to validity facilitates removal of invalid holdings as restrictions on public rights. Nevertheless, holdings of “validity” may serve in later litigations as “red flag warnings”,¹¹² and they may be respected on ground of comity.¹¹³ Further, such holdings are

¹⁰⁸ See D. Chisum, Patents § 10.02[2]. See also the proposal of the President's Commission on the Patent System quoted in *Blonder-Tongue*, 402 U.S. at 339, 169 USPQ at 524.

¹⁰⁹ 35 U.S.C. § 282 (1981 & Supp. 1989).

¹¹⁰ *Stevenson v. Sears, Roebuck & Co.*, 713 F.2d 705, 711, 218 USPQ 969, 974 (Fed. Cir. 1983).

¹¹¹ See, e.g., *Precision Instrument Mfg. Co. v. Automotive Maintenance Machinery Co.*, 324 U.S. 806, 816 (1945); *Lear*, 395 U.S. at 668, 162 USPQ at 7 (1969) (“[F]ederal law requires that all ideas in general circulation be dedicated to the common good unless they are protected by a valid patent”).

¹¹² See *Stevenson v. Sears*, 713 F.2d at 711, 218 USPQ at 975 (Fed. Cir. 1983); *Blumcraft*, 482 F.2d at 548, 178 USPQ at 517.

¹¹³ See D. Chisum, Patents § 19.02[2][e].

considered binding as between the same parties.¹¹⁴ Irrespective of any previous validity holdings, the court in a subsequent action still must examine newly presented prior art,¹¹⁵ regardless of the identity of the party introducing the prior art and unbound by prior judgments that held the same patent to be "valid".

These rationales have been applied not only in patent cases, but also in trademark¹¹⁶ and copyright cases.¹¹⁷

The question of whether state court judgments on patent issues, decided in the context of state claims, are collateral estoppel for patent claims under 35 U.S.C. in district court, has apparently not been decided by the courts.¹¹⁸ The presumption

¹¹⁴ D. Chisum, Patents § 19.02[2][e]; § 19.02[3][c] ("A judgment of validity of a patent, rendered on the merits after contested litigation, will operate as *res judicata* against a party or persons in privity with a party") (citing *A.W. Schnitger v. Canoga Elec. Corp.*, 462 F.2d 628, 174 USPQ 321 (9th Cir. 1972)).

¹¹⁵ After a previous finding of validity the Seventh Circuit required a challenger to validity to present new evidence of invalidity and to demonstrate a distinction from the evidence that was the premise of the previous validity holding. See *American Photocopy Equip. Co. v. Rovico, Inc.*, 384 F.2d 813, 155 USPQ 119 (7th Cir. 1967), *cert. denied*, 390 U.S. 945 (1968).

¹¹⁶ See *Miller Brewing*, 605 F.2d 990, 203 USPQ 642.

¹¹⁷ In *Bell v. Combined Registry Co.*, 397 F.Supp. 1241, 188 USPQ 707 (N.D. Ill. 1975), *aff'd*, 536 F.2d 164, 191 USPQ 493 (7th Cir.), *cert. denied*, 429 U.S. 1001 (1976), the court applied the *Blonder-Tongue* reasoning to copyright validity. In finding that a previous finding of validity was no bar to a challenge to validity, the court noted certain issues as to validity that were not raised in the previous action. The party asserting invalidity was not a party to the previous action. See also *M. Nimmer, Nimmer on Copyright*, § 12.07 N. 14.

¹¹⁸ See *Intermedics Infusaid v. Regents of Univ. of Minn.*, 804 F.2d 129, 133, 231 USPQ 653, 656 (Fed. Cir. 1986) (question awaits future resolution); see also D. Chisum, Patents § 21.04[4] N. 1.

is that they would be, as federal courts have in other areas given *res judicata* effect to state court determinations involving interpretation of federal law.¹¹⁹

C. Res Judicata Between The District Court And The ITC

The problem of preclusion between proceedings in the ITC and in district court based on the same intellectual property rights has arisen in situations both where a federal district court has first decided an issue, and where the ITC has decided first.

1. The Effect Of Prior Court Decisions On Proceedings In The ITC

Where a district court action is decided before or during a parallel ITC investigation, it falls to the ITC to decide whether or not to give preclusive effect to the court decision. The following cases illustrate the disparate ways in which the ITC has handled this circumstance:

a. Young Engineers

A district court infringement action was filed in 1969, and dismissed with prejudice in 1972. In 1981, plaintiff in that action filed a complaint in the ITC against the same party based on the same patents. Respondent raised the affirmative defense of *res judicata* based on the prior district court litigation. The Commission found the patents valid and infringed, and that the proceedings were not barred by *res judicata*.¹²⁰

¹¹⁹ See, e.g., *Kremer v. Chemical Constr. Co.*, 456 U.S. 461, 466 n.6 (1982) (“[T]he federal courts consistently have applied *res judicata* and collateral estoppel to causes of action and issues decided by state courts”).

¹²⁰ *Young Engineers, Inc. v. USITC*, 721 F.2d 1305, 219 USPQ 1142 (Fed. Cir. 1983).

On appeal, the Federal Circuit held that an ITC action would be barred if the patent owner had unsuccessfully sued the alleged infringer for the same infringing acts in a prior court proceeding, just as the patent owner would be precluded from relitigating in district court:

[T]he evils of vexatious litigation and waste of resources are no less serious because the second proceeding is before an administrative tribunal. . . . [N]o substantive argument has been advanced as to why the patent owner should be given an opportunity to put forth the same charge of infringement again. The alleged infringer is as burdened by the litigation before the Commission as before a court. Moreover, if a second court proceeding would be precluded, there seems no reason that the Commission must devote time and attention to that matter.¹²¹

Nevertheless, the complainant was not barred from relitigating because the actual infringing items complained of were not the same as those earlier litigated.¹²²

b. Certain Steel Rod Treating Apparatus

On December 10, 1981, the ITC issued an exclusion order based on a patent covering certain steel rod treating apparatus.¹²³ On December 30, 1981, the U.S. District Court for the District of South Carolina ruled from the bench, finding the patent invalid and unenforceable.¹²⁴ Respondents then filed a mo-

¹²¹ *Id.* at 1315, 219 USPQ at 1151.

¹²² *Id.* at 1316, 219 USPQ at 1151.

¹²³ *In re Certain Steel Rod Treating Apparatus and Components Thereof*, 215 USPQ 229 (USITC 1981).

¹²⁴ *Ashlow, Ltd. v. Morgan Constr. Co.*, 213 USPQ 671 (D.S.C. 1982).

tion before the Commission for reconsideration of the determination.¹²⁵ The Commission declined to change its decision to conform to the district court opinion, stating:

While the decisions of the district courts on patent issues are entitled to great respect and deference, they are not, however, automatically binding on the commission.¹²⁶

The Commission stated that the conflict between the decisions of the two fora should be resolved by the appeals courts.¹²⁷

c. *SSIH*

On June 19, 1981, the Commission issued an exclusion order based on a determination that the three patents in suit were

¹²⁵ The ITC, based on the fact that the district court's decision was on appeal, had originally issued an order permitting entry under bond. Respondent filed for and obtained a writ of mandamus by the district court ordering the ITC to revoke its order of entry under bond. This order was reversed and vacated by the Fourth Circuit. *Ashlow, Ltd. v. Morgan Constr. Co.*, 672 F.2d 371 (4th Cir. 1982). A second petition to the CCPA for a writ of mandamus was denied. *Ashlow, Ltd. v. USITC*, 673 F.2d 1265, 213 USPQ 351 (CCPA 1982). It is interesting as a sidelight that the ITC's solution of allowing entrance under bond during parallel litigation follows the suggestion of the Administration in 1973 which was modified by the House Ways and Means Committee in H.R. 10710, at 78. See Kaye & Plaia, *Revitalization of Unfair Trade Causes in the Importation of Goods: An Analysis of the Amendments to Section 337* (Part II: Conclusion), 57 J. Pat. Off. Soc'y 269, 298-305.

¹²⁶ *In re Certain Steel Rod Treating Apparatus and Components*, 218 USPQ 444, 446 (USITC 1982).

¹²⁷ *Id.* at 446 ("The conflict between the Commission's and the district court's decisions turns on differing interpretations of the law of obviousness and patent fraud. These issues should be resolved on appeal"). The Commission did not address the issue of how conflicts between the separate courts of appeal, i.e. the CCPA and regional circuit, would in turn be resolved.

valid and infringed. On July 16 and 17, 1981, two of the three patents were held invalid in a district court infringement action to which the respondent SSIH was not a party. While the exclusion order was pending before the President¹²⁸ and while the district court judgment was still on appeal, the ITC *sua sponte* modified its exclusion order, suspending that portion of the order referring to the two invalidated patents pending appeal.¹²⁹

The Federal Circuit¹³⁰ held that the Commission had the authority to modify the order with respect to the two patents that were invalidated by the district court, and that it had made the requisite findings to support that decision.¹³¹ The court, however, reserved decision on the issue of whether the ITC would have been *required* to so modify its order under *Blonder-Tongue*, stating only that the Commission's modification was justifiable.¹³²

2. *The Effect of Prior ITC Decisions on the Courts*

Because an ITC proceeding has a statutorily-dictated time limit for completion, it is more likely that the ITC determination will be rendered first, even when the district court case had been filed earlier. If a court is confronted with a final decision of the ITC, it must decide whether to give preclusive effect to the ITC's decision.

¹²⁸ See 19 U.S.C. § 1337(j).

¹²⁹ The appeal was to the Sixth Circuit.

¹³⁰ SSIH Equip., S.A. v. USITC, 718 F.2d 365, 218 USPQ 678 (Fed. Cir. 1983).

¹³¹ *Id.* at 370, 218 USPQ at 683.

¹³² *Id.* at 370 n.8, 218 USPQ at 684 n.8.

a. *Patent Related Decisions*

Determination on patent issues, which are generally not given preclusive effect because of jurisdictional considerations, are nevertheless considered to be otherwise deserving of *res judicata* effect. The following cases illustrate:

i. *In re Convertible Rowing Exerciser Patent Litigation*¹³³

In a well-reasoned and comprehensive opinion, the court enumerated the many reasons why ITC determinations should be given preclusive effect. Failure to do so, said the court, would give rise to "prudential as well as practical problems".¹³⁴ These include:

1. The lower courts may be put in the difficult position of disagreeing with the decision of the Federal Circuit on the ITC appeal, yet would be reviewed on appeal by the same Federal Circuit.¹³⁵
2. Third parties who have relied on a Federal Circuit decision affirming an ITC determination of invalidity might be prejudiced if the Federal Circuit later affirmed a district court judgment of validity. Such a result is disapproved of by the courts, and is one

¹³³ *In re Convertible Rowing Exerciser Patent Lit.*, 721 F.Supp. 596, 597, 12 USPQ2d 1275, 1276 (D. Del. 1989).

¹³⁴ *Id.* at 599, 12 USPQ2d at 1277.

¹³⁵ *Id.*, 12 USPQ2d at 1277-78 ("This Court then would be placed in the awkward position of disagreeing with a Federal Circuit decision upholding the invalidity of the '071 patent and the same Court of Appeals would be asked to hear the appeal of the decision by this Court finding the '071 patent not invalid. (The implications of such circumstances need not be discussed in detail at this point.)").

which the doctrine of *res judicata* was intended to avoid.¹³⁶

3. Such a result would be contrary to *Blonder-Tongue*, as the plaintiffs had a full and fair opportunity to adjudicate before the ITC, which made adequate findings showing its full grasp of the facts.¹³⁷
4. Plaintiffs chose to pursue their relief at the ITC.
5. The doctrine of administrative *res judicata* would normally bar relitigation in the courts of the same cause of action between the same parties.¹³⁸

After laying out its convincing argument on why ITC determinations should be given *res judicata* effect, the court refused to do so, citing the jurisdictional rationale¹³⁹ and the 1974 legislative history.¹⁴⁰ The court stated that the issues in an ITC action differ from those in a district court action.

¹³⁶ *Id.* at 599-600, 12 USPQ2d at 1278.

¹³⁷ *Id.* at 600, 12 USPQ2d at 1278.

¹³⁸ *Id.*, 12 USPQ at 1279.

¹³⁹ *See supra*, Section III.C.2.a.

¹⁴⁰ It has been argued that the legislative history, being written prior to the formation of the Federal Circuit as the common court of appeals for district courts and the ITC, is no longer controlling. *See In the Matter of Certain Apparatus for Disintegration of Urinary Calculi*, Inv. No. 337-TA-221, Order No. 3 (USITC June 6, 1985) ("This major development [formation of the Federal Circuit] makes reliance on the legislative history of the 1974 Act inappropriate to the extent that it would limit the *res judicata* effect of the new CAFC").

ii. *Glasstech v. Ab Kyro Oy*

Prior ITC determinations have been held to be sufficient to establish irreparable harm and likelihood of success for purposes of a preliminary injunction, i.e., where the jurisdictional question is not an impediment. In 1986, the U.S. District Court for the Northern District of Ohio¹⁴¹ considered the question of whether an ITC determination of validity and infringement was sufficient grounds for finding irreparable harm, for the purpose of issuing a preliminary injunction.¹⁴² The district court patent action involved the same patent and the same parties.¹⁴³

The court held that the ITC determination of validity and infringement was sufficient to establish both irreparable harm and likelihood of success. While observing that “[a] finding by the ITC may or may not ‘clearly establish’ validity and infringement for the purpose of a presumption of irreparable harm in accordance with *Smith*”, the court pointed out that the Administrative Law Judge had held a nine-day hearing, that 485 exhibits were entered into evidence, and that five attorneys were present to represent the interests of respondents alone.¹⁴⁴ In finding the ITC determination sufficient to show a likelihood of success in the district court action, the court reasoned:

¹⁴¹ *Glasstech, Inc. v. Ab Kyro Oy*, 635 F.Supp. 465, 229 USPQ 145 (N.D. Ohio 1986).

¹⁴² The movant had argued that under *Smith Int’l, Inc. v. Hughes Tool Co.*, 718 F.2d 1573, 219 USPQ 686 (Fed. Cir.), *cert. denied*, 464 U.S. 996 (1983) and *Roper Corp. v. Litton Systems, Inc.*, 757 F.2d 1266, 225 USPQ 345 (Fed. Cir. 1985), in the *Glasstech* court’s words, “irreparable harm will be presumed in a patent case where validity and infringement have been clearly established.” 635 F.Supp. at 468, 229 USPQ at 146.

¹⁴³ Respondent/defendant had tried to circumvent the ITC’s exclusion order by manufacturing and selling the excluded systems domestically, and was subsequently sued in district court.

¹⁴⁴ 635 F.Supp. at 468, 229 USPQ at 147.

[A]lthough the ITC's decision has no binding effect on this Court, the proceedings before the agency were quite extensive and comparable to those which might take place before a federal district court. Even though the ITC proceedings are not *res judicata*, the inference that this Court must draw on plaintiff's probability of success on the merits is inescapable.¹⁴⁵

The court granted injunctive relief under bond, based in part on the ITC exclusion order.¹⁴⁶

iii. *Corning Glass v. Sumitomo*

In a district court case in the Southern District of New York,¹⁴⁷ the court made a finding of willfulness, based on an ITC determination of validity and infringement which had been vacated by the Federal Circuit.¹⁴⁸ The district court reasoned that even though the determination had been vacated, the ALJ's findings on the patent issues were sufficiently persuasive that the accused infringer should have been on notice that the patent was probably valid and infringed. The court found willful infringement as of the date of the ITC determination,¹⁴⁹ stating

¹⁴⁵ *Id.*

¹⁴⁶ *Id.* at 469, 229 USPQ at 147.

¹⁴⁷ *Corning Glass Works v. Sumitomo Elec. U.S.A., Inc.*, 671 F.Supp. 1369, 1401, 5 USPQ2d 1545, 1571 (S.D. N.Y. 1987).

¹⁴⁸ The Federal Circuit affirmed the ALJ's finding of no domestic industry, and thus no violation of Section 337. *Id.* The district court's holding was based on the ITC determination plus a separate Canadian action.

¹⁴⁹ 671 F.Supp. at 1401, 5 USPQ2d at 1571 ("While neither the vacated ITC decision nor the Canadian decision is binding here, and this Court does not rely on either in reaching its decision as to validity and infringement of the U.S. patents in suit, it is believed appropriate to consider those decisions in ruling on Corning's contention that Sumitomo's infringement of the '915 patent has been willful").

that “every contention which Sumitomo makes here was carefully considered and rejected” by the ITC.¹⁵⁰

b. Non-Patent Related Decisions

Generally, ITC determinations on non-patent issues have been given preclusive effect in district court.

i. Baltimore Luggage v. Samsonite

The U.S. District Court for the District of Maryland recently addressed the issue of whether ITC determinations of trademark and unfair competition issues are to be given preclusive effect.¹⁵¹ The accused infringer had first initiated a district court declaratory judgment action. Subsequently, the trademark owner filed an action against it and others in the ITC. The ALJ, ruling first, held *inter alia* that the trademark owner had no trademark rights in the asserted products, and ruled against the accused infringer on certain affirmative defenses including unclean hands and antitrust violations.¹⁵² On appeal, the Federal Circuit affirmed the ITC determination of no violation of Section 337, on the sole grounds that no tendency to injure an industry had been shown.¹⁵³

¹⁵⁰ *Id.* (“To proceed thereafter to manufacture and sell the same fibers without changes designed to avoid infringement can only be construed as outright defiance or baseless optimism”).

¹⁵¹ *The Baltimore Luggage Co. v. Samsonite Corp.*, 727 F.Supp. 202, 13 USPQ2d 1450 (D. Md. 1989).

¹⁵² *In the Matter of Certain Hard-sided Molded Luggage Cases*, Inv. No. 337-TA-262 (Jan. 29, 1987). The Commission declined review.

¹⁵³ The Federal Circuit, affirming on the basis of no domestic injury, vacated the portion of the Commission’s decision dealing with unfair competition. *Samsonite Corp. v. USITC*, No. 88-1249, 862 F.2d 321 (Fed. Cir. Oct. 13, 1988) (unpublished). However, the portions of the Commission’s decision held by the *Baltimore Luggage* court to have preclusive effect had not been appealed, and therefore were considered by the district court not to have been included in the order to vacate. 727 F.Supp. at 207-09, 13 USPQ2d at 1454-56.

On motion for summary judgment in the district court, the trademark owner raised defenses against counts of antitrust and unfair competition based on *res judicata*, relying on the ALJ's decision denying the accused infringer's affirmative defenses.¹⁵⁴ The court held that the accused infringer could not relitigate these issues if it had a full and fair opportunity to litigate them in the ITC.¹⁵⁵

In a departure from the reasoning of other courts, this court gave no weight to the choice-of-forum argument, stating, "Even though Baltimore Luggage did not initiate the ITC proceeding . . . it had the opportunity to litigate fully its antitrust and unfair competition claims before the ITC."¹⁵⁶

The courts thus approach ITC determinations as worthy of *res judicata* effect, and feel constrained only by the jurisdictional question.

D. The Res Judicata Solution: Is The ITC "Full And Fair"?

The criterion of a "full and fair opportunity to litigate" requires closer examination of Section 337 proceedings because the "full and fair" requirement is the one most connected to the overall problem of litigation in a separate *type* of forum.

¹⁵⁴ Counsel for the ITC argued at hearing as *amicus curiae*, in support of the position that the ITC determinations should not be *res judicata*.

¹⁵⁵ The accused infringer argued that it had made a strategic decision to litigate these issues in the court rather than in the ITC. The court held that this made no difference, as long as the parties had the *opportunity* to adjudicate the issue in the ITC. 727 F.Supp. at 205, 13 USPQ2d at 1452.

¹⁵⁶ *Id.* at 207, 13 USPQ2d at 1454.

The Supreme Court in *Blonder-Tongue*¹⁵⁷ gave no precise criteria as to when the full and fair opportunity requirement is met. The Court stated that the decision “will necessarily rest on the trial court’s sense of justice and equality”.¹⁵⁸ The factors held important by the Court include: choice of forum and incentive to litigate; whether the first determination purported to employ the proper statutory standards; whether the opinions filed indicate that the prior court wholly failed to grasp the technical subject matter and issues in suit; and whether without fault of his own the patentee was deprived of crucial evidence or witnesses in the first litigation.¹⁵⁹

Some factors, such as whether the prior court failed to grasp the technical subject matter or failed to employ the proper statutory standards, are the kinds of factors that may be present or not present on a case-by-case basis in the courts as well as in the ITC. They thus would not stand in the way of giving preclusive effect to ITC determinations as a matter of policy.

On the other hand, some issues involving “full and fair” opportunity are inseparable from the structure and procedure of the ITC. It is clear that in every case in the ITC a respondent does not have a choice of forum, as it cannot bring a declaratory judgment action of non-violation of Section 337. In addition, the respondent cannot bring counterclaims,¹⁶⁰ but can only assert affirmative defenses.

¹⁵⁷ 402 U.S. 313, 169 USPQ 513 (1971).

¹⁵⁸ *Id.* at 334, 169 USPQ at 521.

¹⁵⁹ 402 U.S. at 333, 169 USPQ at 521.

¹⁶⁰ This situation is analogous to the situation in state courts, where patent issues may be considered as affirmative defenses, yet patent counterclaims (such as infringement) must be brought in federal district court.

The time limitations of the ITC may preclude full and fair opportunity to litigate. In *Aunyx Corp. v. Canon, U.S.A., Inc.*,¹⁶¹ the defendant moved for summary judgment that a prior decision of the ITC involving the same issues and parties¹⁶² precluded litigation of the issues. The court held that the ITC determination precluded litigation of state antitrust and unfair competition claims.¹⁶³ However, the court refused to apply preclusive effect to the ITC's exclusion of claims of horizontal conspiracy. The ALJ had refused entry of the allegations because introduction of the claim "would wreak substantial changes in the scope and direction of this investigation. The amendment would impose an impossible burden upon the parties to complete their discovery and prepare for hearing."¹⁶⁴ In refusing to give preclusive effect, the court stated:

This clearly is a case where Aunyx was unable to "fully litigate" a related claim due to the administrative procedure's inability to accommodate an allegation that probably would have been entertained in this forum.

E. Constitutional Impediments To Res Judicata

The debate over the *res judicata* effect of ITC determinations has been livened by Constitutional considerations, such as due

¹⁶¹ Civil Appeal No. 86-2083-Mc (D. Mass. June 6, 1989) (reported at 1989 U.S. Dist. Lexis 7260, 1989 WestLaw 73296).

¹⁶² An argument that one of the plaintiffs was not before the ITC was rejected by the court as a basis for denying preclusive effect.

¹⁶³ The decision was based on the reasoning that "state antitrust and unfair competition claims are interpreted substantially as same as the federal antitrust law considered before the ITC".

¹⁶⁴ 1989 U.S. Dist. Lexis 7260, *7, 1989 WestLaw 73296, 6 (quoting USITC Inv. No. 337-TA-2253, Order No. 20 (Order Denying Joint Motion to Amend Complaint and Notice of Investigation)).

process rights and the right to trial by jury. The Supreme Court, in *United States v. Utah Constr. & Mining Co.*,¹⁶⁵ squarely addressed the issue of whether and when an administrative agency's determination could be given *res judicata* effect. The Court held that findings of federal agencies are entitled to preclusive effect when those agencies are acting in a judicial capacity.¹⁶⁶ Clearly, the ITC is acting in a judicial capacity when it renders its determinations under Section 337, and therefore would come under *Utah Constr. Co.*

Section 337 proceedings are conducted in accordance with the Administrative Procedures Act, and therefore ITC litigants enjoy all the procedural safeguards attendant to that Act. *Ex parte* contacts with ITC Administrative Law Judges and Commissioners are strictly prohibited, and the rules of evidence, while somewhat more permissive than federal courts in some respects, generally conform to the Federal Rules of Evidence. In view of those safeguards, it appears that litigants receive their full due process rights in ITC proceedings.

While the Seventh Amendment right to trial by jury may appear to pose a more formidable obstacle to giving preclusive effect, it does not appear to be insurmountable in all cases. The Seventh Amendment to the Constitution provides that in "[s]uits at common law, where the value in controversy shall exceed twenty dollars, the right to trial by jury shall be preserved."¹⁶⁷ The jury right attaches where the relief sought is legal, but not where the remedy sought is equitable. As the relief available at the ITC is injunctive, and therefore equitable in nature, no jury right would normally attach. Thus the question arises: Would the extension of *res judicata* to ITC determinations deprive district court litigants of a jury trial on an issue where they would otherwise be entitled to it?

¹⁶⁵ 384 U.S. 394 (1966).

¹⁶⁶ *Id.* at 422.

¹⁶⁷ U.S. Const. amend. VII.

In trademark cases, district courts have given preclusive effect to ITC determinations of invalidity without apparently running afoul of Seventh Amendment rights.

Only this year, the U.S. District Court for the District of Delaware¹⁶⁸ had occasion to consider when the right to jury trial attaches in copyright cases. The court held that, in a copyright infringement action, a defendant has no right to a jury trial where the copyright owner only seeks an injunction and statutory damages.¹⁶⁹ While conceding that the Third Circuit had not addressed the issue, and that the Delaware district courts were divided, the court applied the Supreme Court's decision in *Curtis v. Loether*,¹⁷⁰ which held that a jury trial attaches in civil cases if the action ". . . involves rights and remedies of the sort typically enforced in an action at law."¹⁷¹ The court reasoned that a copyright action seeking statutory damages is remedial or restitutionary in nature, both remedies traditionally reserved to equity, and therefore held that defendants had no Seventh Amendment right to a jury trial on that issue.¹⁷²

The Federal Circuit, in *SRI International v. Matsushita Electric Corp.*, forcefully stated that "patent litigants are entitled to neither a greater nor lesser but to the same right to a jury trial,

¹⁶⁸ *Raydiola Music v. Revelation Rob, Inc.*, 729 F.Supp. 369, 14 USPQ2d 1150 (D. Del. 1990).

¹⁶⁹ *Id.* at 373-76.

¹⁷⁰ 415 U.S. 189 (1974).

¹⁷¹ *Id.* at 195.

¹⁷² 729 F.Supp. at 375.

under the same governing considerations, as are all other litigants.”¹⁷³

Thus it appears that the Seventh Amendment right to a jury trial should not stand in the way of according *res judicata* effect to ITC decisions in district courts, particularly where injunctive relief or statutory damages are solely at issue.

F. Should ITC Patent Decisions Be Res Judicata In The Courts?

Section 337 had its genesis in trade law, and not the body of law governing intellectual property rights. Some courts have seized on this distinction as a basis for denying *res judicata* effect to ITC determinations, noting that “[t]he question the ITC examines under Section 337 and the question the district court examines under Section 1338 are thus quite different in both form and substance.”¹⁷⁴

On the other hand, in recent years there has been a confluence of intellectual property and trade law issues. A review of the trade statutes now in force reveals a body of law replete with intellectual property provisions.¹⁷⁵ Intellectual property issues are also on the forefront of the current Administration’s trade agenda. As such policy makers are not unaccustomed to dealing in issues relating to intellectual property. It seems, therefore, that whatever significance may be attached to the separate origins of Section 337 is fast disappearing.

¹⁷³ 775 F.2d 1107, 1127, 227 USPQ 577, 590 (1985) (Markey, C.J., additional views).

¹⁷⁴ *In re Convertible Rowing*, 721 F.Supp. at 601.

¹⁷⁵ See, e.g., 19 U.S.C. § 2462(b) and (c) (eligibility for benefits under the United States Generalized System of Preferences); 19 U.S.C. § 2242 (special Section 301 provisions).

Further, even conceding that Section 337 arose out of the trade statutes, there is little question that the ITC applies the same substantive body of intellectual property law as the district courts, in assessing the validity, enforceability and infringement of the property rights at issue. Moreover, the same court that reviews district court decisions in patent cases, the Federal Circuit, also reviews ITC determinations and applies the same substantive law in assessing the correctness of those decisions, so that there is at least a potential for consistency.¹⁷⁶ In reality, there is but one patent law, and that governs district court and ITC proceedings alike. Therefore, the questions considered by the ITC are really not so different in "form and substance" as the recent district court decisions would seem to suggest.

V. APPELLATE REVIEW CONSIDERATIONS

A third sphere in which dual path litigation is challenging the legal system is in the uncertain role of the appeals courts in reviewing related cases coming from the ITC and the courts. Appeals from both the ITC and from the district courts in patent cases go to the United States Court of Appeals for the Federal Circuit. Because the standards of review differ for decisions of the two tribunals, and because the role of an appeals court is to review for error and not for correctness, the Federal Circuit is not bound to decide cases from the ITC and the district courts involving the same issues and the same parties in the same way.

On the other hand, appeals from cases involving non-patent issues such as trademarks or copyrights go to different circuits (ITC to the Federal Circuit, district courts to the regional circuits). Yet these are accorded preclusive effect one to the other.

This appellate disparity has created considerable confusion.

¹⁷⁶ See *infra*, Section V.

A. *Divergent Standards of Review On Appeal*

Appellate jurisdiction, like exclusive original jurisdiction, varies with the intellectual property right. Jurisdiction for appeals from district court decisions in patent cases since 1982 lies exclusively with the United States Court of Appeals for the Federal Circuit.¹⁷⁷ The purpose of establishing this exclusivity was *inter alia*, to produce uniformity in the area of patent law.¹⁷⁸ Appellate jurisdiction over trademark and copyright cases remains with the regional circuits.

Exclusive jurisdiction for appeals from final determinations of the ITC lies with the Federal Circuit.¹⁷⁹

The standard of review for cases coming from a district court is the "clearly erroneous" standard for questions of fact.¹⁸⁰ The standard of review for findings of fact from the ITC is the "substantial evidence" standard of review.¹⁸¹ The former stan-

¹⁷⁷ Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat.25, codified at 28 U.S.C. § 1295. In *South Corp. v. United States*, 690 F.2d 1368, 1370-71, 215 USPQ 657, 658 (Fed. Cir. 1982), the Court of Appeals for the Federal Circuit adopted the precedents of its two predecessor courts: the Court of Claims and the Court of Customs and Patent Appeals.

¹⁷⁸ See *Panduit Corp. v. All States Plastic Mfg. Co., Inc.*, 744 F.2d 1564 (Fed. Cir. 1984).

¹⁷⁹ 28 U.S.C. § 1295(a)(6) (1983 & Supp. 1989); 19 C.F.R. § 210.71 (1988).

¹⁸⁰ *Tyler Refrigeration v. Kysor Indus. Corp.*, 777 F.2d 687, 691, 227 USPQ 845, 848 (Fed. Cir. 1985).

¹⁸¹ 19 U.S.C. § 1337(c) (invoking 5 U.S.C., Chapter 7; see 5 U.S.C. § 706(2)(E)); *American Hospital Supply Corp. v. Travenol Labs., Inc.*, 745 F.2d 1, 9, 223 USPQ 577, 583 (Fed. Cir. 1984).

dard is a strict standard, and the latter is a lenient one, giving deference to the findings of the administrative agency in its determinations of unfair import practices.

These two differing standards alone could result in differing results on appeal from the same case. Even in a single tribunal, differing standards of review can result in different outcomes on appeal. Under these circumstances, uniformity would be haphazard if not downright accidental.

One of the major problems with this uncertainty on appeal is the difficult position of the courts below in trying to decide the extent to which they are bound by a given decision of the Federal Circuit, and to what extent the Federal Circuit will follow its own previous decision on the merits when the second case is appealed.¹⁰² Thus, the lower court may be confronted with a prior precedential court of appeals decision involving the very same facts and parties as those before it, that is not binding either on itself or on the court of appeals on review.

B. Stare Decisis On Appeal

A second result of this appellate diversity is that ITC determinations concerning patent rights, while not binding on district courts, will collide with district court opinions which are appealable to the same court (the Federal Circuit), while ITC determinations based on trademark, copyright or unfair competition, which *are* binding on district courts, will collide with district court decisions which are appealable to a *different* court (the regional circuits). Thus, we have the strange and anomalous situation that Federal Circuit decisions on ITC non-patent cases are binding on its sister circuit, while Federal Circuit decisions on ITC patent cases are not binding even on itself.

¹⁰² See *In re Convertible Rowing*, 721 F.Supp. at 599, 12 USPQ2d at 1277-78.

Because of its unique jurisdictional position, the Federal Circuit has at least once found itself confronted with conflicting prior decisions from a regional circuit and from its predecessor court, the CCPA.

1. Stevenson And The Kicktail Skateboard

In 1983, the Federal Circuit was faced with the situation of confronting its own precedent in conflict with the lower court decision before it. The history of this litigation is set out below:

1. 1975: Stevenson, the owner of a patent for an improved "kicktail" skateboard, filed a complaint in district court¹⁸³ for patent infringement (Suit I).¹⁸⁴
2. November 4, 1977: While the district court action was still pending, Stevenson filed a complaint in the ITC, against parties other than those named in the original district court suit.
3. November 13, 1978: The ITC issued a final determination that the patent was invalid.¹⁸⁵
4. November 30, 1979: The district court in Suit I granted defendant's motion for summary judgment of patent invalidity.

¹⁸³ Stevenson v. Grentec, in the U.S. District Court for the Central District of California.

¹⁸⁴ This helpful notation is adopted from the Federal Circuit's opinion in Stevenson v. Sears, Roebuck & Co., 713 F.2d 705, 218 USPQ 969 (Fed. Cir. 1983).

¹⁸⁵ In the Matter of Certain Skateboards and Platforms Therefor, Inv. No. 337-TA-37 (Nov. 13, 1978).

5. December 20, 1979: The CCPA reversed the ITC determination of invalidity and remanded, holding that the respondents “failed to carry their burden of persuasion in asserting the invalidity of the subject claims of the Stevenson patent”.¹⁸⁶
6. Shortly after the decision of the CCPA, in a second infringement suit (Suit II), the district judge held that Stevenson was collaterally estopped from relitigating the validity of the patent.¹⁸⁷
7. October, 1980: The ITC issued a determination that Section 337 had been violated, and granted an exclusion order.
8. July 27, 1981: The Ninth Circuit¹⁸⁸ affirmed the district court’s decision of invalidity in Suit I, in spite of the intervening CCPA decision: “To be sure, the decisions of the Court of Customs and Patent Appeals should be given great weight and treated with respect; they are not, however, binding on this court.”

¹⁸⁶ *Stevenson v. USITC*, 612 F.2d 546, 555, 204 USPQ 276, 284 (CCPA 1979).

¹⁸⁷ *Stevenson v. Gottschlich*, No. 77-2974 (C.D. Cal. April 25, 1980), *cited in* *Stevenson v. Sears, Roebuck & Co.*, 713 F.2d 705, 707, 218 USPQ 969, 971 (Fed. Cir. 1983).

¹⁸⁸ *Stevenson v. Grentec, Inc.*, 652 F.2d 20, 22-23, 211 USPQ 1020, 1022 (9th Cir.), *cert. denied*, 456 U.S. 943 (1982). The appeal was to the Ninth Circuit because it was filed before October 1, 1982, the date exclusive jurisdiction over patent appeals was transferred to the Federal Circuit by the Federal Courts Improvement Act of 1982.

9. Stevenson filed a third infringement suit (Suit III) in district court.
10. January 14, 1983: The district court in Suit III held that Stevenson was collaterally estopped by the result of Suit I from asserting the validity of his patent.¹⁸⁹
11. Stevenson appealed the Suit III judgment to the Federal Circuit,¹⁹⁰ arguing *inter alia* that the prior decision of the CCPA upholding the patent was binding on the Federal Circuit.¹⁹¹

The Federal Circuit was thus faced with (1) a prior precedential CCPA opinion reviewing an ITC determination and holding that the patent was not proved invalid, (2) a non-precedential Ninth Circuit appeal affirming a district court judgment of invalidity, and (3) a district court judgment before it for review holding with the non-precedential Ninth Circuit opinion and in apparent conflict with the precedential CCPA opinion.

The Federal Circuit affirmed the district court's holding that the prior district court judgment collaterally estopped relitigation of the patent in Suit III, in spite of the contrary CCPA opinion.¹⁹² The court, applying the *Blonder-Tongue* test,¹⁹³

¹⁸⁹ Stevenson v. Sears, Roebuck & Co., No. 77-4518 (C.D. Cal. Jan. 14, 1983).

¹⁹⁰ This appeal was brought after October 1, 1982.

¹⁹¹ The Federal Circuit has adopted CCPA opinions as binding precedent. See *supra*, n.177.

¹⁹² Stevenson v. Sears Roebuck & Co., 713 F.2d 705, 218 USPQ 969 (Fed. Cir. 1983).

¹⁹³ See *supra*, Section IV.A.

concluded that the patentee is precluded from relitigating even “when there are two seemingly inconsistent prior determinations: one holding the patent ‘valid,’ the other invalid”,¹⁹⁴ as long as the patentee had a full and fair opportunity to litigate the patent in the action that resulted in a judgment of invalidity. The court added that the prior holding of “validity”

is not necessarily inconsistent with the subsequent holding of invalidity. In one action, the defendants did not overcome the statutory presumption of validity; in the other they did. The difference in result could be attributable to many neutral facts: e.g., different prior art references or different records. It cannot always be said that of two “inconsistent” determinations, one is correct and one is incorrect. Thus, we do not believe that the existence of a seemingly inconsistent prior holding on “validity” should change the inquiry from a full and fair opportunity to litigate to one of correctness; rather, it should serve only as a “red flag warning” to the court to apply the full and fair criteria more carefully.¹⁹⁵

After having determined that Suit I constituted a full and fair opportunity to litigate, the court held Stevenson estopped from relitigating the patent.¹⁹⁶

In addressing the question of *stare decisis*, i.e. to what extent the Court was itself bound by the previous precedential decision of the CCPA, the Court stated only that its function under *Blonder-Tongue* is not to decide the validity or invalidity of the

¹⁹⁴ 713 F.2d at 709, 218 USPQ at 973 (footnote omitted).

¹⁹⁵ 713 F.2d at 710, 218 USPQ at 973-74.

¹⁹⁶ *Id.* at 712, 218 USPQ at 975.

patent, but to decide whether or not the patentee is estopped from relitigating the patent.¹⁹⁷ The Court apparently did not distinguish between prior opinions which were precedential and those which were not.¹⁹⁸

The Court further emphasized that a patent cannot be held "valid" in court. A court can only hold that the patent challenger had not met its burden in overcoming the presumption of validity.¹⁹⁹ Thus the Court did not consider itself bound by its own prior decisions upholding validity.²⁰⁰ While the prior decision of the CCPA is "not to be ignored", its effect is "limited":

As we have indicated, the decision serves only as a "red flag warning" to the district court to apply full and fair

¹⁹⁷ *Id.* at 711, 218 USPQ at 974 ("Thus, our scope of review is limited to deciding whether the patentee had a full and fair opportunity to litigate the validity of his patent in the prior unsuccessful suit.")

¹⁹⁸ The Court also determined that Sears was not estopped by the CCPA's holding of "validity" because Sears was not a party or in privity to a party in that proceeding. *Id.* at 710-11, 218 USPQ at 974. However, the Court indicated that a different result might obtain had Sears itself been a party to the ITC action. *Id.* ("In that situation the court might refuse to undo what has been done and thus refuse to set aside its prior determination of validity as against Sears.")

¹⁹⁹ *Id.*

²⁰⁰ *Id.* ("To be sure, a prior holding of 'validity' should be given weight in a subsequent suit on the issue of 'validity'. But the prior holding does not necessarily have stare decisis effect"). However, the Court stated that where the record in the second suit is substantially identical to that of the first, i.e. no new prior art or other evidence, then it is "extremely likely" that the prior decision will be given stare decisis effect. *Id.* at n.5.

criteria very carefully; it does not change the inquiry to one of correctness.²⁰¹

The Federal Circuit is also placed in the anomalous position of not being bound by its *own* prior decisions, even where the subsequent case involves the exact same facts, parties and issues. This is illustrated by dicta in the following Federal Circuit case:

2. *Tandon v. USITC*

In affirming an ITC determination of no violation of Section 337 based on a finding of noninfringement, the Federal Circuit left the door open to further litigation of the infringement issue in the district court.²⁰² After commenting on the “greater weight and finality” that is to be accorded ITC decisions under the proper standard of review,²⁰³ the Court cited the 1974 legislative history of Section 337 as making it clear “that the Commission’s primary responsibility is to administer the trade laws, not the patent laws”. The Court concluded that “our appellate treatment of decisions of the Commission does not estop fresh consideration by other tribunals.”²⁰⁴ Presumably the Court was referring to subsequent actions in district courts, and presumably it was stating that a district court would not be bound by the Federal Circuit’s decision concerning the disposition of the patent in the ITC. Thus, by implication, the Court seemed to be stating that, given the differing standards of review for ITC and district court actions, the Federal Circuit

²⁰¹ *Id.* at 711, 218 USPQ at 975.

²⁰² *Tandon Corp. v. USITC*, 831 F.2d 1017, 1019, 4 USPQ2d 1283, 1285 (Fed. Cir. 1987).

²⁰³ *See supra*, Section V.A.

²⁰⁴ 831 F.2d at 1019, 4 USPQ2d at 1285.

itself would not be bound by its own prior decision. Thus it could conceivably come to a different decision on review of a district court judgment concerning the same patent and infringing product.²⁰⁵

Tandon has been seen by the district courts as so stating.²⁰⁶ In discussing whether or not it is bound to follow the earlier decision of the Federal Circuit affirming the ITC, the court in *In re Convertible Rowing Exerciser Patent Litigation*²⁰⁷ stated:

²⁰⁵ In a later case, *Texas Instruments, Inc. v. USITC*, 851 F.2d 342, 344, 7 USPQ2d 1509, 1510 (Fed. Cir. 1988), the Federal Circuit reiterated the rule in *Tandon*: "[T]his court has stated that the ITC's determinations regarding patent issues should be given no res judicata or collateral estoppel effect. . . ." The issue was not dispositive in *Texas Instruments*, however, but only formed part of the Court's rationale for vacating an ITC determination that it had already ruled moot.

²⁰⁶ The holding in *Tandon* has also been interpreted as being more limited than this. See *Telectronics*, 687 F.Supp. at 846 n.44, 7 USPQ2d at 1788 n.44.

Tandon dealt with a decision of noninfringement based on technological considerations. Moreover, the *Tandon* Court noted that "[i]t was the intent of Congress that greater weight and finality be accorded to the Commission's findings as compared with those of a trial court." [*Tandon*] at 1019. Hence it hardly seems that the Federal Circuit intended to imply that ITC decisions could never be accorded res judicata effect.

²⁰⁷ *In re Convertible Rowing*, 721 F.Supp. at 597, 12 USPQ2d at 1276 (D. Del. 1989).

Ordinarily this Court is bound by decisions of the Federal Circuit because it is the court to which appeals on patent issues from the district courts are taken. However, the Federal Circuit has specifically stated that its appellate treatment of ITC determinations as to patent validity does

not estop other tribunals from considering anew the question of patent validity. [citations omitted]²⁰⁸

C. *Dual Path Litigation and the Appeals Process*

While it is true that the technicalities of the law are such that different results could be properly reached on separate appeals, the simple reality should be that either a patent is legally valid or it is not. Conflicting results in the appeals courts result in unfairness and uncertainty to parties, and confusion to non-parties who are trying to determine what rights they have and do not have. Appeals decisions should be consistent.²⁰⁹

If ITC and district court decisions are each to be given *res judicata* effect, at the very least the standards of review should be the same and there should be *stare decisis* effect at the appeals level. It makes no sense to have consistent trial-level decisions, if the standards on appeal will not also be consistent.

²⁰⁸ *Id.*

²⁰⁹ From a technical standpoint, the existence of different results on appeal is not an improper result. The task of an appeals court is to determine error in the court below, not to decide a case "properly". The very nature of a "question of fact" is that different reasonable triers of fact could come to different and contradictory conclusions. Both results may be without reversible error and properly affirmable on appeal. That an appeals court can come to two different results based on the same facts simply reaffirms the limited task of an appeals court — to review the trier of fact for error.

The need for consistency on appeal is satisfied not by uniform decisions but by uniform standards of review. Different standards of review may result in different decisions on the same facts. The *same* standard of review may also result in different decisions where the range of reasonable and affirmable decisions is broad, as with issues such as obviousness or the doctrine of equivalents. Few are the fact pattern for which there is no reasonable difference of opinion on these perplexing issues.

VI. CONCLUSION

Perhaps at no time since the enactment of Section 337 has more attention been focused on whether ITC Section 337 determinations should, or do, carry with them preclusive effect. This can be explained in part by the recent finding of the GATT that Section 337 is inconsistent with the United States' international obligations, and the stated intention of the Administration to bring Section 337 into compliance. An act of Congress stating clearly that the ITC has concurrent jurisdiction over patent issues would go a long way to satisfying GATT. The problems of such concurrent jurisdiction, such as counterclaims and jury trial, will have to be worked out in the context of U.S. jurisprudence.

Whatever changes are made, they should be consistent with the existing scheme of U.S. jurisprudence. If they are made in a haphazard and reactive way, the result will be more, not less, confusion.

3
No. 90-258

Supreme Court
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CLERK

IN THE
Supreme Court of the United States
OCTOBER TERM, 1990

WESLO, INC.,

Petitioner,

v.

DIVERSIFIED PRODUCTS CORPORATION, and
BROWN FITZPATRICK LLOYD PATENT LTD.,

Respondents.

On Petition for a Writ of Certiorari to
the United States Court of Appeals
for the Federal Circuit

RESPONDENTS' BRIEF IN OPPOSITION

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QUESTIONS PRESENTED

The filing of the petition gives rise to the following additional threshold question:

1. Does the Supreme Court have certiorari jurisdiction under 28 U.S.C. § 1254(1) to review a case not within the appellate jurisdiction of a court of appeals because the court of appeals, in its discretion, refused to permit an interlocutory appeal to be taken under 28 U.S.C. § 1292(b)?

The question presented by petitioner is too broadly stated, and therefore is recast more along the lines of the question certified for interlocutory appeal by the district court, as follows:

2. Does a finding of patent invalidity by the U.S. International Trade Commission, made relative to a determination of no violation of Section 337 of the Tariff Act of 1930 (19 U.S.C. § 1337) which was affirmed by the U.S. Court of Appeals for the Federal Circuit, preclude district court infringement litigation on the same patent, despite the grant of original jurisdiction over patent matters placed in the district courts under 28 U.S.C. § 1338(a)?

LIST OF PARENT AND SUBSIDIARIES

The parent company of respondent Diversified Products Corporation is Shape Holdings, Inc. (a Delaware corporation). Diversified Products Corporation has no nonwholly-owned subsidiary companies.

The correct name of the other respondent is Brown Fitzpatrick Lloyd Patent Ltd., which has no parent company and no nonwholly-owned subsidiary companies.

Allegheny International Exercise Company is in Chapter 11 bankruptcy proceedings, but still is a defendant below.

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IN THE
Supreme Court of the United States
OCTOBER TERM, 1990

No. 90-258

WESLO, INC.,

Petitioner,

v.

DIVERSIFIED PRODUCTS CORP., and
BROWN FITZPATRICK LLOYD PATENT LTD.,

Respondents.

On Petition for a Writ of Certiorari to
the United States Court of Appeals
for the Federal Circuit

RESPONDENTS' BRIEF IN OPPOSITION

The respondents Diversified Products Corporation and Brown Fitzpatrick Lloyd Patent Ltd. (collectively "DP") respectfully request that this Court deny the petition for writ of certiorari filed by Weslo, Inc. ("Weslo"), seeking review of the Federal Circuit's orders in this case. Those orders appear in Appendices A and B of the petition.

JURISDICTION

Weslo invokes certiorari jurisdiction of this Court under 28 U.S.C. § 1254(1). However, the Court of Appeals for the Federal Circuit refused to permit an appeal to be taken in this case. Certiorari jurisdiction over this unappealed case does not lie because the case is not "in" the Court of Appeals, as required by the jurisdictional statute. A more detailed discussion appears within.

STATUTES INVOLVED

In addition to the statutes listed in the petition, the following statute also is involved.

28 U.S.C. § 1292 provides in pertinent part:

§ 1292. Interlocutory decisions

(b) When a district judge, in making in a civil action an order not otherwise appealable under this section, shall be of the opinion that such order involves a controlling question of law as to which there is substantial ground for difference of opinion and that an immediate appeal from the order may materially advance the ultimate termination of the litigation, he shall so state in writing in such order. The Court of Appeals which would have jurisdiction of an appeal of such action may thereupon, in its discretion, permit an appeal to be taken from such order, if application is made to it within ten days after the entry of the order: *Provided, however,* That application for an appeal hereunder shall not stay proceedings in the district court unless the district judge or the Court of Appeals or a judge thereof shall so order.

STATEMENT OF THE CASE

DP generally agrees with the statement of the case set forth in the petition, with the following exceptions.

At page 5 of the petition, Weslo misstates the Commission's treatment of the ALJ's Initial Determination ("ID"). The Commission did not review the entire ID. Rather, the Commission only reviewed and reversed the ID on the issue of anticipation. The Commission determined "not to review any other portion of the ID," thereby adopting those portions as its own. See petition at 48a-49a.

At page 6 of the petition, Weslo misstates the breadth of the Federal Circuit's affirmance of the ITC decision. The Federal Circuit did not affirm an ITC decision of patent invalidity. Rather, the Federal Circuit simply affirmed the ITC's "determination of no violation" of § 337 of the Tariff Act of 1930 (19 U.S.C. § 1337). See petition at 52a-53a.

Also at page 6 of the petition, Weslo misstates the procedural history involved. The consolidated cases in Delaware were not stayed throughout the ITC proceedings, as Weslo seems to state. Rather, the consolidated cases were stayed by stipulation only during the appeal of the ITC's determination to the Federal Circuit.

Finally, at page 7 of the petition, Weslo mischaracterizes the district court Opinion in this case (petition, App. C). Much of the Federal Circuit authority relied on by the district court arguably is not "dicta," as Weslo characterizes it. Further, the Federal Circuit in these cases and the district court here relied on more than just a "brief passage" of the legislative history of § 337 of the Tariff Act of 1930 as authority for their decisions. Among those other authorities are the express language of § 337 itself, and the clear jurisdictional dichotomy between the ITC and the district courts established by Congress.

REASONS WHY THE PETITION SHOULD BE DENIED

I. CERTIORARI JURISDICTION OVER THIS UNAPPEALED CASE DOES NOT LIE

Weslo invokes certiorari jurisdiction of this Court under 28 U.S.C. § 1254(1). However, the Court's authority under that Section extends only to cases "in the courts of appeals."¹ *United States v. Nixon*, 418 U.S. 683, 690-91 (1974); *Gay v. Ruff*, 292 U.S. 25, 30 (1933); *Forsyth v. Hammond*, 166 U.S. 506, 513 (1896); *Smith v. Mitchell*, 454 U.S. 911 (1981) (Rehnquist, J., dissenting). This case is not pending "in" the Court of Appeals for the Federal Circuit. The Court of Appeals in its discretion refused to permit an appeal to be taken.² *House v. Mayo*, 324 U.S. 42, 43-44 (1944). No notice of appeal was filed in that court. No appeal was docketed in that court. In fact, appeals are not docketed in the courts of appeals until "receipt of the copy of the notice of appeal and of the docket entries, transmitted by the clerk of the district court." Fed. R. App. P. 12(a). That has not happened here. Certiorari jurisdiction over this unappealed case therefore does not lie under § 1254(1).

II. THERE ARE NO SPECIAL AND IMPORTANT REASONS FOR GRANTING THE WRIT; AND THERE ARE IMPORTANT REASONS FOR DENYING IT

Notwithstanding the jurisdictional issue discussed above, and recognizing (but not consenting to here) the possibility in certain exceptional circumstances of extraordinary writs issuing under 28 U.S.C. § 1651 in aid of this Court's jurisdiction, DP presents the following reasons for denying a writ of certiorari in this case.

¹ Unless otherwise indicated, all emphasis in quotations is added.

² "The Court of Appeals which *would* have jurisdiction of an appeal of such action may thereupon, in its discretion, permit an appeal to be taken. . . ." 28 U.S.C. § 1292(b).

A. Neither the Court of Appeals Nor the District Court Has Departed from the Accepted and Usual Course of Judicial Proceedings

This case involves a matter-of-fact § 1292(b) certification by a district judge of a question that he decided in an interlocutory order denying defendants' motion for summary judgment. It also involves the routine exercise of the appellate court's discretion to refuse defendants permission to take an appeal on the certified question. At first, the Court of Appeals refused permission without stating its reasons. Petition at 2a. —When pressed by defendants' "frivolous" petition for rehearing (petition at 3a), the Court of Appeals elaborated on the reasons for its refusal, viz., its ultimate discretion in the matter, and its prior (and consistent) consideration of the certified question on four occasions (implying no substantial ground for difference of opinion on the question). Petition at 3a-5a.

There is nothing unusual or extraordinary about this procedural treatment of the case that requires this Court to act now through the exercise of certiorari jurisdiction. The Court of Appeals acted "in its discretion." 28 U.S.C. § 1292(b); petition at 2a. In its Order on petition for rehearing, the Court of Appeals quoted the legislative history of § 1292(b) and noted that it fully supports the Court's refusal (petition at 3a-4a):

The granting of the appeal is also discretionary with the court of appeals which may refuse to entertain such an appeal in much the same manner that the Supreme Court today refuses to entertain applications for writs of certiorari.

It should be made clear that if application for an appeal from an interlocutory order is filed with the court of appeals, the court of appeals may deny such application without specifying the grounds upon which such a denial is based. It

could be based upon a view that the question involved was not a controlling issue. It could be denied on the basis that the docket of the circuit court of appeals was such that the appeal could not be entertained for too long a period of time. But, whatever the reason, *the ultimate determination concerning the right of appeal is within the discretion of the appropriate circuit court of appeals.*

S. Rep. No. 2434, 85th Cong., 2d Sess. 3, 4, *reprinted in* 1958 U.S. Code Cong. & Admin. News 5255.

The appellate court's discretion in deciding whether to grant permission to appeal under § 1292(b) is unqualified by any statutory criteria. It is not limited to the factors enumerated in § 1292(b) and considered by the trial judge in initially certifying the question for interlocutory appeal:

[E]ven if the district judge certifies the order under § 1292(b), the appellant still "has the burden of persuading the court of appeals that exceptional circumstances justify a departure from the basic policy of postponing appellate review until after the entry of a final judgment." *Fisons, Ltd. v. United States*, 458 F.2d 1241, 1248 (CA7 1972), [*cert. denied*, 405 U.S. 1041 (1972)]. *The appellate court may deny the appeal for any reasons, including docket congestion.*

Coopers & Lybrand v. Livesay, 437 U.S. 463 , 475-76 (1978).

One seriously cannot question the propriety of the Court of Appeals' exercise of discretion here in refusing to permit defendants to take an appeal. Weslo has not even hinted in the petition at a possible abuse of discretion. Clearly there has been none, and defendants' petition for rehearing to the Court of Appeals indeed was "frivolous."

Petition at 3a. Had the Court of Appeals remained silent on its reasons for refusal, one only could have speculated about the motives involved in its discretionary exercise. The one reason given - the court's four harmonious prior decisions (petition at 4a-5a) - forecloses any doubt about justification for its refusal to permit an appeal. As discussed below, the district court decision denying summary judgment (tacitly approved by the Court of Appeals' refusal to permit an appeal) conforms with unanimous Federal Circuit and other federal authority.

DP has been unable to find any cases wherein this Court has reviewed, under an abuse of discretion standard, a court of appeals' refusal to permit a § 1292(b) interlocutory appeal to be taken. That is not surprising, given the broad discretion accorded the courts of appeals under § 1292(b). This Court has long refused to issue writs - extraordinary or otherwise - to rein in or second-guess the discretionary acts of lower courts. *See, e.g., Ex parte Bradley*, 7 Wall. 364 (1869); *United States v. Rosenberg*, 7 Wall. 580, 581 (1869); *Ex parte Parker*, 120 U.S. 737, 743 (1887); *In re Application of Burwell*, 350 U.S. 521, 522 (1956). The Court should not do so here, lest it "thwart the Congressional policy against piecemeal appeals." *Parr v. United States*, 351 U.S. 513, 521 (1956).

B. Review by This Court Would Frustrate Congressional Policies Underlying the Interlocutory Appeals Act of 1958

28 U.S.C. § 1292(b) provides, through a double-discretionary system of appeal, only limited opportunities for exception to the historic policy of the federal courts that appeal will lie only from a final decision:

The Interlocutory Appeals Act of 1958, 28 U.S.C. § 1292(b) [28 U.S.C.S. § 1292(b)], was enacted to meet the recognized need for prompt review of certain nonfinal orders. However, Congress carefully *confined* the availability of such review. Non-

final orders could never be appealed as a matter of right. Moreover, the discretionary power to permit an interlocutory appeal is not, in the first instance, vested in the courts of appeals. A party seeking review of a nonfinal order must first obtain the consent of the trial judge. This *screening procedure* serves the dual purpose of ensuring that such review will be confined to appropriate cases and avoiding time-consuming jurisdictional determinations in the court of appeals.

Coopers & Lybrand, 437 U.S. at 474-75 (footnotes omitted). The requirement for district court certification "serves the double purpose of providing the Appellate Court with the best informed opinion that immediate review is of value, and at once protects appellate dockets against a flood of petitions in inappropriate cases," while the appellate court, in its less pressured environment, can better estimate the likelihood of error and decide whether to further burden its own docket. *Hearings on Appeals From Interlocutory Orders Before the Subcomm. No. 3 of the House Comm. on the Judiciary*, 85th Cong., 2d Sess., ser. 11, at 14-15, 21, 22 (1958). In addition, § 1292(b) was intended to "improve and expedite the administration of justice in the Courts." *Hearings* at 7.

As noted, a court of appeals has absolute discretion in deciding whether to permit a § 1292(b) interlocutory appeal. In addition to the impact on its own docket, the court may consider a host of other factors, many of which may be somewhat local in nature and uniquely within the court's own ability to weigh. Supreme Court review of a refusal to permit an interlocutory appeal - in this or in any other case - would intrude on the individual decision-making process granted by Congress exclusively to the courts of appeals. The result of this second-guessing well could be more protracted and wasteful (rather than expedited) litigation, and an upsurge in petitions flooding the courts of appeals and this Court. Further, considering the unlikeli-

hood of reversal of the district court's decision here, discussed *infra*, review now would materially *retard* (not advance) the ultimate termination of this litigation. These are not the sort of objectives Congress had in mind in enacting § 1292(b).

C. The District Court Decision Denying Summary Judgment Conforms With Unanimous Authority

As it did in the courts below, Weslo persists in ignoring controlling law and principle while fervently urging a self-serving position for which there is no support whatsoever.³ The bottom line is that claim or issue preclusion *never* has been found where the first tribunal lacked *jurisdiction* over the issue in question.⁴ Despite some *discussion* of the question by some courts (including the district court below) and commentators, *no* court ever has found claim or issue preclusion when the tribunal below lacked jurisdiction. Indeed, any application of preclusion principles to the facts of this case would require this Court to ignore the clear jurisdictional scheme inherent in 28 U.S.C. § 1338(a) and Section 337 of the Tariff Act of 1930, as amended, 19 U.S.C. § 1337. Section 337 is not a substitute for Section 1338(a). Instead *it is an adjunct* to Section 1338(a)⁵, providing prompt relief from the unfair competition of foreign imports - *relief not available in the federal district courts*.

³ Because of Weslo's extensive argument over the controlling authority, DP unfortunately must respond here in considerable detail.

⁴ The only exceptions are those where a special statute applies to give finality to the decision of the first tribunal, even though it may have lacked jurisdiction. See, for example, the full faith and credit statute, 28 U.S.C. § 1738, which has been held to give finality to state court decisions on patent issues. No such statute applies to the circumstances of this case.

⁵ The remedies under § 337 of the Tariff Act are "*in addition to any other provision of law.*" 19 U.S.C. § 1337(a)(1).

1. Jurisdiction of the ITC to Adjudicate Patent Validity - the Sine Qua Non of Preclusion - Is Wholly Lacking

DP has no quarrel with any of the plethora of cases Weslo has cited in which, *on their facts*, res judicata and/or collateral estoppel have been found. Except where full faith and credit had to be given to state court decisions as required by statute, all of the cases proceed from a former holding of a court or agency *which had jurisdiction* to adjudicate the matter before it and to reach the decision it did. Weslo's insoluble problem exists in the simple fact that *the ITC does not have jurisdiction* to decide *vel non* any patent validity or infringement issues. Accordingly, review by the Federal Circuit under 28 U.S.C. § 1295(a)(6) of an ITC finding that there has been no violation of § 337 of the Tariff Act - a finding the ITC *does* have original and exclusive jurisdiction to make - does not permit the ITC, any reviewing court or Weslo to bootstrap the original jurisdiction over patent matters *exclusively reserved* to United States district courts under 28 U.S.C. § 1338(a).

Weslo does not contend that the ITC has jurisdiction to adjudicate patent validity. As observed by Judge Schwartz *in this case* in a 1985 decision denying a motion by Weslo to stay or suspend the then ongoing ITC investigation:

Patent law is based upon Article 1, Section VIII, Clause 8 of the Constitution which grants to Congress the power "[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." Congress placed *original jurisdiction over patent actions exclusively in the federal district courts*. 28 U.S.C. § 1338(a). *Only* a federal district court may *adjudicate* patent validity, enforceability and infringement issues. Appeal of the district court decision may be taken to the

Court of Appeals for the Federal Circuit. 28 U.S.C. § 1292(c)(2).

Original jurisdiction over *unfair practices in import trade lies exclusively with the ITC*. 19 U.S.C. §§ 1332(b), 1337. Appeals from ITC decisions may also be taken to the Court of Appeals for the Federal Circuit. 19 U.S.C. § 1337(c). While the ITC makes a "*determination*" as to patent issues, *it has no jurisdiction to make a binding adjudication on patent matters. Neither a federal district court nor the ITC may transgress upon the jurisdiction of the other.* *Ashlow, Ltd. v. Morgan Construction Co.*, 672 F.2d 371, 375 (4th Cir. 1982).

...

Although appeals must now be taken to the same court, the fact remains that appeals from ITC matters and appeals from district court patent proceedings cover *different issues*. Such is not surprising, given the differing jurisdictions, purposes, issues, proof and remedies afforded by the two tribunals. Broadly stated, the Court of Appeals for the Federal Circuit may *review district court adjudications of patent validity, enforceability and infringement for erroneous findings of fact and errors of law*. The issue on appeal from an ITC decision is *whether the ITC made the correct determination with respect to unfair practices in import trade*, and issued an appropriate remedial order under section 337 of the Tariff Act of 1930, 19 U.S.C. § 1337. Because the *question on review from the two fora is different* and since the district court has *exclusive original jurisdiction over patent matters*, it necessarily follows the appellate court cannot render a *binding determination on the issues of patent*

validity, enforceability and infringement on an appeal from the ITC.

In re Convertible Rowing Exerciser Patent Litigation, 616 F.Supp. 1134, 1140-42 (D.Del. 1985) (petition, App.G).

These clear pronouncements of the Delaware district court should be considered to be the law of this case. The district courts are *not precluded* from independently considering the validity of the patent in suit - their exclusive prerogative under 28 U.S.C. §1338(a).

2. The Federal Circuit Consistently Has Stated That the ITC Has No Authority to Adjudicate Patent Validity; Other Courts Are in Full Agreement

In the four years since Judge Schwartz's 1985 motion decision, the Federal Circuit on four occasions *consistently* has recognized the jurisdictional dichotomy that exists with respect to patent issues in the ITC and in the federal district courts. The first of these cases is *Corning Glass Works v. U.S. Int'l Trade Comm'n*, 799 F.2d 1559 (Fed.Cir. 1986). Corning had initiated an investigation before the ITC under § 337 of the Tariff Act. The Commission found the Corning patent to be valid and infringed but found that *no violation* of § 337 had occurred because Corning had been unable to establish the requisite injury to the domestic industry. Corning appealed. In discussing the standard of appellate review Judge Nies observed:

[T]he Commission is *not* charged with administration of the patent statute, 35 U.S.C. § 1 *et seq.* Thus we do not defer to its interpretation of patent law.

Id., at 1565, n.5. Later the court noted that Corning was then pursuing an infringement action against Sumitomo. As to that litigation, the court significantly stated (*Id.*, at 1570, n. 12):

The action has been stayed pending resolution of this appeal. We question this practice which appears to cause unnecessary delay in resolution of the basic dispute between the parties. Here, non-patent issues are dispositive of this case. *Moreover, the ITC takes the position that its decisions have no res judicata effect in such litigation. Accord, Union Mfg. Co. v. Han Baek Trading Co., 763 F.2d 42, 226 U.S.P.Q. 12 (2d. Cir. 1985).* Although this question has not been addressed by this court, the legislative history of the Trade Reform Act of 1974 supports the Commission's position:

The Commission is not, of course, empowered under existing law to set aside a patent as being invalid or to render it unenforceable, and the extent of the Commission's authority under this bill is to take into consideration such defenses and to make findings thereon for the purpose of determining whether § 337 is being violated.

...

The Commission's findings neither purport to be, nor can they be, regarded as binding interpretations of the U.S. patent laws in particular factual contexts. Therefore, it seems clear that any disposition of a Commission action by a Federal Court should not have a res judicata or collateral estoppel effect in cases before such courts.

S. Rep. No. 1298, 93d Cong., 2d Sess. 196 (1974), U.S. Code Cong. & Admin. News 1974, 7186, 7329.

On the same day, the Federal Circuit also handed down an opinion in *Lannom Mfg. Co. v. U. S. Int'l Trade*

Comm'n, 799 F.2d 1572 (Fed. Cir. 1986). Before the ITC in the § 337 action, none of the respondents had asserted invalidity of the suit patent, although evidence was adduced on the subject of validity. The ITC staff position was that the patent was *valid*. The ALJ found no violation of § 337 on grounds of *lack of injury*, and also held all claims of the patent invalid for failure to comply with sections 103 and 112 of the patent act (35 U.S.C. §§ 103, 112). Upon review, the Commission affirmed the ALJ's findings with respect to lack of injury, and affirmed his finding of invalidity under § 103. On complainant's appeal to the Federal Circuit, the Commission asserted that it *could* and *must* determine patent validity even if validity was not challenged by any respondent or its own staff.

In its treatment of the question, the court, through Judge Newman, thoroughly reviewed the history of the present § 337 of the Tariff Act of 1930 as amended in 1974. Quoting from *Frischer & Co. v. Bakelite Corp.*, 39 F.2d 247, 258 (C.C.P.A.), *cert. denied*, 282 U.S. 852 (1930), the point was made that the Tariff Commission had always been "merely an administrative fact-finding body. It has no judicial powers. *The right to pass upon the validity of a patent . . . is a right possessed only by the courts of the United States given jurisdiction thereof by law.*" 799 F.2d at 1577. So it remained until passage of the Trade Act of 1974, Pub. L. No. 93-618, 88 Stat. 1978 (1975), when the Tariff Commission was renamed the United States International Trade Commission. As related by Judge Newman, under the Trade Act of 1974, remedies for violation of § 337 were strengthened and § 1337(c) was inserted to provide that "The Commission shall determine . . . whether or not there is a violation of this section. All legal and equitable defenses may be presented in all cases. . . ." *Id.* Underlining its significance, Judge Newman quoted the *same* language as above reproduced from the S. Rep. No. 1298 at 196, 1974 U.S. Code Cong. & Admin. News at 7329.

On September 30, 1987, again speaking for the Federal Circuit, Judge Newman in *Tandon Corp. v. U.S. Int'l Trade Comm'n*, 831 F.2d 1017 (Fed. Cir. 1987), had occasion once more to discuss the jurisdiction of the ITC in patent-based § 337 investigations. Again quoting from the Senate Report accompanying the Trade Act of 1974 and citing to *Lannom*, the court stated:

At the same time, the Senate Report accompanying the Trade Act of 1974 made clear that the Commission's primary responsibility is to administer the trade laws, not the patent laws: [repeating above quote from S. Rep. No. 1298, 2nd Sess. 196]. Thus our appellate treatment of decisions of the Commission does not estop fresh consideration by other tribunals.

831 F.2d at 1019.

Finally, the Federal Circuit in 1988 rendered an opinion in *Texas Instruments, Inc. v. U.S. Int'l Trade Comm'n*, 851 F.2d 342 (Fed.Cir. 1988). The ITC had found no violation of § 337 of the Tariff Act in part because a Texas Instruments patent was found by the ITC to be unenforceable for inequitable conduct in its procurement. The court dismissed a portion of the appeal for mootness, because the patent had expired. However, the court *directly addressed* the question of what effect the ITC's determination of unenforceability would have on Texas Instruments' ability to enforce the patent (and others in its portfolio) in other litigation. The court, through Judge Bissell, reiterated that "this court has stated that the ITC's determinations regarding patent issues should be given no res judicata or collateral estoppel effect, *Tandon Corp. v. United States International Trade Commission*, 831 F.2d 1017, 1019, 4 USPQ 2d 1283, 1285 (Fed.Cir. 1987). . . ." *Texas Instruments*, at 344. The court then vacated the ITC's determination regarding the expired patent, and remanded the case to the ITC "with instructions to dismiss

as moot the portion of the complaint relating to that patent." *Id.*

Weslo cavalierly has dismissed the consistent treatment of the preclusion issue by the Federal Circuit and other courts as "dicta." Advocates and legal scholars may differ on where the holding of an opinion ends and where dicta begins, but one thing is abundantly clear: the Federal Circuit's treatment of the ITC/patent preclusion issue in *Texas Instruments* is the most recent and direct affirmation of its well-considered view that *preclusion does not apply*. Other courts have independently reached this *same* conclusion by confronting the issue in a similarly direct fashion - be it in dicta or otherwise.

In *Antonious v. Kamata-Ri & Co.*, 204 U.S.P.Q. 294 (D. Md. 1979), the defendant moved the district court for an order compelling Antonious to apply for reissue of his patent, and dismissing the case, arguing that the patent already had been declared invalid by the ITC and one other forum. In denying the motion, the court rejected defendant's argument, stating, "[N]either finding of invalidity is binding on this Court. The United States International Trade Commission's investigation under 19 United States Code, Section 1337, In Re Golf Gloves, ITC Publication 720 (March 1975) regarding *unfair competition*, is not determinative in this Court." 204 U.S.P.Q. at 295.

In *Union Mfg. Co. v. Han Baek Trading Co.*, 763 F.2d 42 (2d Cir. 1985), the Second Circuit squarely confronted the preclusion issue and gave preclusive effect to an ITC determination on *trademark* issues in a § 337 investigation. The court distinguished the trademark situation from patent-based § 337 determinations, necessarily delineating the jurisdictional boundaries of ITC fact-finding:

Union cites no case, nor have we found one, in which a determination of the ITC not involving patent validity has been denied *res judicata* effect. What Union relies on are the legislative

history of the Trade Reform Act of 1974 as it pertains to the *res judicata* effect of ITC patent validity determinations, *see* S. Rep. No. 93-1298, 93d Cong., 2d Sess. (1974), *reprinted in* 1974 U.S. Code Cong. & Ad. News 7186, 7329, and decisions of federal courts and the ITC in patent validity cases, *see, e.g.,* *W.A. Baum Co. v. Proper Manufacturing Co.*, 343 F.Supp. 1016, 1019 (E.D.N.Y. 1972); *In re Certain Synthetic Gemstones*, 208 U.S.P.Q. 282, 284 (U.S.I.T.C. 1979). But authority regarding ITC patent validity determinations has no bearing on ITC unfair trade practice and trademark determinations. *Patent validity determinations of the ITC are properly not accorded res judicata effect because the ITC has no jurisdiction to determine patent validity except to the limited extent necessary to decide a case otherwise properly before it. See* S.Rep. No. 93-1298, *supra*, 1974 U.S. Code Cong. & Ad. News at 7329. Indeed, Congress has granted the district courts exclusive original jurisdiction over patent validity cases. 28 U.S.C. § 1338(a); [citations omitted].

The *jurisdictional bar to res judicata treatment of ITC patent validity determinations* simply does not apply to other decisions by the ITC.

763 F.2d at 45 (footnote omitted).

Similarly, in *Telectronics Proprietary Ltd. v. Medtronic, Inc.*, 687 F.Supp. 832 (S.D.N.Y. 1988), the New York district court was confronted with the issue of whether an earlier ITC decision should be accorded preclusive effect. Medtronic had initiated a section 337 investigation in the ITC by filing a patent-based ITC complaint, naming Telectronics as a respondent. Shortly thereafter, Telectronics initiated the New York action against Medtronic, seeking declaratory judgment of noninfringement and invalidity of

the same patent. Medtronic counterclaimed in the New York action for patent infringement, and Teletronics replied by asserting the defense of a patent license.

The existence of a patent license had been considered and decided by the ITC (ALJ) on Medtronic's motion for summary determination. The Commission had denied review of the ALJ's finding that a license did exist, thus making that finding a final determination of the Commission. A pivotal issue before the New York court, therefore (on Teletronics' motion for partial summary judgment), was whether that ITC decision should be given preclusive effect.

Judge Leisure's opinion on this issue in *Teletronics*, 687 F. Supp. at 845, is a thorough and well-reasoned analysis of the primary statutory and decisional authority discussed in this case by Judges Longobardi and Schwartz below, and by the parties here. Recognizing the mutually exclusive jurisdictional boundaries delineated by 28 U.S.C. § 1338(a) and Section 337 of the Tariff Act, the New York court logically and correctly concluded, as the Federal Circuit has, that "the ITC may consider issues of patent *validity* only insofar as they impact its decision on unfair competition claims." 687 F. Supp. at 846. Familiar supporting authority of the Second and Fourth Circuits, quoted in footnote 42, *Id.*, is more explicit:

... Patent validity determinations of the ITC are properly *not* accorded *res judicata* effect because the ITC has *no jurisdiction to determine patent validity* except to the limited extent necessary to decide a case otherwise properly before it." *Union Mfg. Co. v. Han Baek Trading Co.*, 763 F.2d 42, 45 (2d Cir. 1985).

In short, the Congress has created *two separate jurisdictions*: One with jurisdiction over 'unfair acts' in connection with the importation of articles from abroad (the Commission), and the

other with jurisdiction over the validity of domestic patents (the district court)." *Ashlow Ltd. v. Morgan Constr. Co.*, 672 F.2d 371, 375 (4th Cir. 1982).

According to the New York court, the ITC's determination that there was a license under the patent simply concerned the existence of a contract - not the validity of the patent. As a non-patent validity defense to the claim of unfair competition, the factual issue of the existence of a patent license was a matter truly within the ITC's statutory jurisdiction. The New York court concluded, therefore, that the "jurisdictional bar to *res judicata* treatment of ITC patent validity determinations" simply did not apply to the license determination of the ITC. 687 F. Supp. at 846, quoting *Han Baek*.

Importantly, *necessary* to the decisions in *Han Baek* and *Telectronics* was each court's recognition, as law, of the "jurisdictional bar" to preclusive treatment of ITC patent validity determinations - a bar that simply did not apply to the facts of either case. The courts simply were dealing with facts on the opposite side of the same jurisdictional coin. Had either court been confronted with a prior ITC decision of patent invalidity, it unquestionably would have been compelled, on the jurisdictional grounds stated, to *refuse* to give that decision preclusive effect.

Contrary to the district court's characterization of this issue as one of "first impression,"⁶ *Texas Instruments*, *Antonious*, *Han Baek* and *Telectronics* at the very least

⁶ Even cases of "first impression" have been denied certification for interlocutory appeal where there is, nevertheless, no substantial ground for difference of opinion. See, for example, *Weisman v. MCA, Inc.*, 45 F.R.D. 530, 531 (D.Del. 1968) (denying certification even though the circuit had not yet decided any of the questions presented); *United States ex rel. Hollander v. Clay*, 420 F.Supp. 853,859 (D.D.C. 1976) (denying certification even though no cases interpreted the controlling statute).

demonstrate that there is *considerable* and *consistent* decisional authority *directly on point* that, along with consistent statutory construction, *mandate* the decision reached by the district court. *There is no authority to the contrary* that could possibly form a "substantial ground for difference of opinion" that would justify interlocutory review. Some commentators may have expressed views that preclusion in this context should apply, but those views, along with counsel's *ipse dixit*, are not authoritative grounds for granting a writ here.

3. This Case Does Not Conflict With *Blonder-Tongue* or Utah Construction

Weslo places great reliance on the decisions of this Court in *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313 (1971) and *United States v. Utah Constr. & Mining Co.*, 384 U.S. 394 (1966). In both cases, the holding of preclusion was based on the essential threshold ingredient of *jurisdiction* of the first tribunal to *finally adjudicate* the issue before it. Neither case applies to the situation here as Weslo urges, and there is no conflict, because the ITC lacked jurisdiction to adjudicate the validity of DP's patent.

In *Blonder-Tongue* this Court was silent on jurisdiction of the first tribunal because the presence of jurisdiction obviously was beyond question. The prior holding of patent invalidity was of a federal district court with original and exclusive jurisdiction to adjudicate patent validity under 28 U.S.C. § 1338(a). That decision became final when it was affirmed on appeal. 402 U.S. at 314-315.⁷ Here, the ITC's determination of invalidity, even when reviewed by the Federal Circuit, was not final for want of jurisdiction.

⁷ The ultimate focus of course was whether the patentee had a full and fair opportunity to litigate validity in the first action. 402 U.S. at 333.

Utah Construction dealt with claims against the government under the disputes clause of a contract pursuant to the Wunderlich Act, 41 U.S.C. § 321. In finding that the claims were precluded by prior decisions of the Advisory Board of Contract Appeals, the Court noted the finality that attached to a Board decision *by virtue of the Act*. "Both the disputes clause and the Wunderlich Act categorically state that administrative findings on factual issues relevant to questions arising under the contract shall be *final and conclusive* on the parties." 384 U.S. at 419. Significantly, the Court then went on to say, "Of course, if the findings made by the Board are *not relevant to a dispute over which it has jurisdiction*, such findings would have *no finality whatsoever*." *Id.*, at n. 15. Subsequently the Court made the following statement, which Weslo misconstrues and on which it heavily but mistakenly relies: "When an administrative agency is acting in a judicial capacity and resolves disputed issues of fact *properly before it* which the parties have had an adequate opportunity to litigate, the courts have not hesitated to apply *res judicata* to enforce repose." 384 U.S. at 422.

Weslo stubbornly fails to recognize or admit that the above-highlighted phrase "properly before it" simply means that the issues actually decided by the agency were *within its statutory jurisdiction* to decide them. The ITC has no jurisdiction to decide questions of patent validity. *Utah Construction* in fact supports DP's position that the ITC determination is neither final nor binding. 384 U.S. at 419, n. 15.

4. The Other Authorities Cited by Weslo Clearly Do Not Control Here

Weslo relies on *Christianson v. Colt Industries Operating Corp.*, 486 U.S. 800 (1988), for the alleged "teaching" that "one tribunal, the Seventh Circuit, in addressing claims properly before it, can address patent questions without transgressing on the exclusive patent jurisdiction

of [another,] the Federal Circuit." Petition at 16 (emphasis deleted). Read loosely, that statement literally is correct, but Weslo *wrongly* implies that only the Federal Circuit has jurisdiction to decide patent questions and the other circuit courts (and the ITC by analogy) do not, but still can consider them despite their alleged lack of jurisdiction. Weslo misinterprets the clear import of the *Colt* decision, and misconstrues the jurisdiction of the Federal Circuit in patent matters under 28 U.S.C. § 1295(a)(1).

The *Colt* court framed the issue succinctly. The jurisdiction of the Federal Circuit is circumscribed, and not all cases involving patent questions are within the appellate jurisdiction of the Federal Circuit:

As relevant here, 28 U.S.C. § 1295(a)(1) grants the Court of Appeals for the Federal Circuit exclusive jurisdiction over "an appeal from a final decision of a district court of the United States . . . if the jurisdiction of *that court* was based, in whole or in part, on [28 U.S.C.] section 1338. . . ." Section 1338(a), in turn, provides in relevant part that "[t]he district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents. . . ." Thus, the jurisdictional issue before us turns on whether this is a case "arising under" a federal patent statute, for if it is then the jurisdiction of the District Court was based at least "in part" on section 1338.

486 U.S. at 807 (footnote omitted). Deferring to the "well-pleaded complaint" rule, the Court readily determined that the antitrust case filed in the district court did not "arise under" a federal patent statute. Accordingly, the Seventh Circuit - not the Federal Circuit - had jurisdiction of all questions, including the patent questions, on appeal. That being the case, the Court vacated the judgment of the Federal Circuit which, in the "interest of justice," had

ruled on the merits of the appeal anyway after the case had bounced between the two circuits several times. “‘Courts created by statute can have no jurisdiction but such as the statute confers.’ [citation omitted].” *Colt*, 486 U.S. at 817. *Colt* is, therefore, irrelevant to Weslo’s argument, and in fact is consistent with DP’s position, with the opinion of the Delaware district court here and with the other authorities that find preclusion *impossible* because of the ITC’s lack of jurisdiction to adjudicate patent validity.

Nor do the host of cases cited on pages 14-15 of the petition support Weslo’s argument. Those cases are irrelevant because they involve recognition of state court decisions under the full faith and credit statute, 28 U.S.C. § 1738. That statute is limited by its terms to decisions of the courts of the States, Territories and Possessions. It simply does not apply to decisions of agencies of the federal government, such as the ITC. Except for those instances in which such special statutes apply, there is *no case* in which preclusive effect was given to a decision of a tribunal that did not have *jurisdiction to adjudicate* the subject matter involved.

5. The Creation of the Federal Circuit in 1982 Did Not Change Existing Preclusion Law or Alter the Clear Congressional Intent Previously Expressed in the 1974 Legislative History of Section 337

Weslo asserts that the above-discussed legislative history of the 1974 amendments to § 337 of the Tariff Act became irrelevant upon creation of the Federal Circuit in 1982, because no one even dreamed that a special court would exist which would consider appeals in all patent matters - from the ITC as well as from the federal district courts. While a plethora of texts and articles could be cited to ventilate this outlandish contention, it should be sufficient to refer to the report of the Hruska Commission, *Structure*

and Internal Procedures: Recommendations for Change, reported at 67 F.R.D. 195 (1975).

The Hruska Commission was created by Congress in 1972. Pub. L. No. 92-489, 86 Stat. 807 (1972); 67 F.R.D. at 207. It was charged with investigating administrative problems which for years had plagued the appellate system, and recommending changes in the structure of the system pursuant to its investigation. The Commission held hearings in various cities; widely circulated a preliminary report; received ideas from the bench and bar nationwide; and studied the extensive literature on the subject. 67 F.R.D. at 207-208.

The approach recommended by the Hruska Commission was to form a national court of appeals sitting between the circuit courts of appeals and the Supreme Court. The Commission did not favor, but nevertheless considered, a special court which would hear only patent appeals. This was based on 25 years' worth of suggestions favoring a court of patent appeals. 67 F.R.D. at 234. Obviously the final solution resulting in the Court of Appeals for the Federal Circuit was a national court of appeals covering a limited *group* of specialities including, *inter alia*, patents, customs matters and claims against the United States. Thus an appellate court handling all patent matters *was* indeed considered before 1974. *See, also*, Gholz, *Commissioners for the C.C.P.A.*, 53 J. Pat. Off. Soc'y. 388 (1971), as an example of the literature generally referred to by the Hruska Commission report. There it is suggested that all patent appeals be taken to the Court of Customs and Patent Appeals, subject to final review by the Supreme Court. Since the CCPA already handled ITC appeals, this proposal would have taken us essentially to where we are today with the Federal Circuit.

The real issue is what Congress intended in 1982 when it established the Federal Circuit - not what it might have foreseen while gazing into a crystal ball in 1974. It should

be noted that in all of the deliberations, such as those engaged in by the Hruska Commission, and in the considerations leading to creation of the Federal Circuit, the basic motivation was to obtain more uniformity in decisions among the various circuits. There is no indication that consideration ever was given to basic changes in existing statutory law. Certainly there is no indication in the legislative history of the Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25 (1982), that *any* consideration was given to changing the jurisdiction of either the ITC or the federal courts in respect to patent matters, or to changing the effects of ITC patent decisions, whether reviewed by the Federal Circuit or not. *See*, S. Rep. No. 275, 97th Cong., 1st Sess. at 18-22 (1981). Congressional intent to change the meaning of a prior statute is not to be inferred when the later act and its legislative history are silent on the point. *Tidewater Oil Co. v. United States*, 409 U.S. 151, 158-59 (1972); *Markham v. Cabell*, 326 U.S. 404, 411 (1945). There was no such intent expressed in 1981. S. Rep. No. 275, 97th Cong., 1st Sess. (1981).

The essence of Weslo's argument is that the jurisdictional bar to preclusive treatment of ITC patent validity determinations was impliedly repealed when the Federal Circuit was created in 1982. Repeal by implication is not favored. *See, e.g., Crawford Fitting Co. v. J.T. Gibbons, Inc.*, 482 U.S. 437, 445 (1987); *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 1017 (1984); *Regional Rail Reorganization Act Cases*, 419 U.S. 102, 133 (1974). There must be a "clear repugnancy" between the two provisions. *United States v. Fausto*, 484 U.S. 439, 453, *reh'g. denied*, 485 U.S. 972 (1988), citing *Georgia v. Pennsylvania R.R. Co.*, 324 U.S. 439, 456-57 (1944) and *Wood v. United States*, 16 Pet. (41 U.S.) 342, 362-63 (1842). There is no such repugnancy here. The Federal Circuit can and will apply the appropriate standard of review and properly discharge its appellate function within the Congressionally mandated,

harmonious jurisdictional scheme, whether appeal is from the ITC, a district court or both.

D. This Case Is Not of Such Imperative Public Importance As to Justify Immediate Settlement in This Court Before Formal Judgment by the Court of Appeals

The Court of Appeals for the Federal Circuit, having refused to entertain an appeal in this case, has not rendered a formal judgment on the merits of the question certified by the district court. Assuming, for the sake of argument, that this case is "pending in" the Court of Appeals, Weslo has not demonstrated that the question is "of such imperative public importance as to justify deviation from normal appellate practice [i.e., before judgment] and to require immediate settlement in this Court." Sup. Ct. R. 11.

The gravamen of the petition is that the district court's refusal to give preclusive effect to the ITC determination underlying this case somehow adversely will affect the efficient administration of justice. Whatever the effect, it is circumscribed. The decision below is narrowly drawn and will not do violence to established preclusion doctrines that apply *outside* the realm of ITC patent validity findings. Weslo's complaint really is unique to itself as an importer of infringing goods, and challenges a system established by Congress that for trade policy reasons puts such importers at a disadvantage as compared to parties whose infringing goods are domestically produced. Weslo's complaint really seeks repeal of a narrow exception to established preclusion doctrines - an exception that was carved out by Congress in this area for those same policy reasons. In enacting § 337 of the Tariff Act of 1930, Congress sought to provide domestic patentees an *added* measure of *quick* protection ("in addition to any other provision of law") against unfair imports. 19 U.S.C. § 1337(a)(1), (b)(1). Clearly Congress, in providing this "quick fix," did not

intend to strip from domestic patentees the protections afforded them under existing law. Application of issue or claim preclusion in this case would open a Pandora's Box and give exactly that absurd result.

In view of the decisions of the Federal Circuit, the clear meaning of the Congressional record accompanying passage of the 1974 amendments to the Tariff Act of 1930 and other unanimous holdings of other federal courts considering the matter at hand, Weslo's insistence on maintaining interlocutory review is, as the Federal Circuit held, "frivolous." Petition at 3a. Weslo has not and cannot establish any ground for difference of opinion on the law upon which the district court has solidly and unequivocally based its Opinion. Reversal on review now at the very least would require this Court to completely contravene the jurisdictional scheme established by the Congress. Judge Longobardi felt duty bound by this and other constraints to deny preclusion. One naturally would expect this Court to be extremely reluctant to effectively re-legislate the jurisdiction of the ITC in patent matters - an act it has no power to consummate. Thus, reversal on review now is highly improbable, if not impossible. Review now would be certain to cause further delay of the inevitable trials in these cases, rather than terminate the litigation early. Review now would be inconsistent with the basic policy in the federal scheme of jurisprudence against piecemeal appeals. See, *Hollander, supra*, 420 F.Supp. at 859, citing *Switzerland Cheese Ass'n v. Horne's Market, Inc.*, 385 U.S. 23, 24-25, (1966), and *Baltimore Contractors, Inc. v. Bodinger*, 348 U.S. 176, 178 (1955). But if there is to be a review now, summary affirmance clearly is warranted.

DP has been trying to enforce its rights against those copying its patented invention since 1984. Supreme Court review of this case at this time will only further delay the inevitable with further damage to DP's business. DP is confident about the outcome of these consolidated cases

on the merits. That a *court* can uphold patent validity in the circumstances of this case, contrary to the ITC's findings, has been demonstrated by the Federal Court of Canada. On a slightly augmented record, that court held DP's counterpart Canadian patent *valid* and infringed immediately after the Federal Circuit's decision on appeal from the ITC. The findings of the Canadian court are diametrically opposed to those of the ITC on the factual issues that the ITC regarded as pivotal. See the Opinion of the Delaware district court at page 9a of the petition, n. 6. In the interest of justice, Weslo must not be permitted to indulge in further delaying tactics.

III. CONCLUSION

For the foregoing reasons, the petition for writ of certiorari should be denied.

Respectfully submitted,

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(4)
No. 90-258

Supreme Court, U.S.
FILED
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JOSEPH P. SPANGLER JR.
CLERK

IN THE
Supreme Court of the United States
OCTOBER TERM, 1990

WESLO, INC.,

v.

Petitioner,

DIVERSIFIED PRODUCTS CORP., and
BROWN FITZPATRICK LLOYD PATENT LTD., *et al.*,
Respondents.

On Petition for a Writ of Certiorari to the
United States Court of Appeals
for the Federal Circuit

REPLY BRIEF OF PETITIONER

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**AMENDED LIST OF PARTIES WITH PARENT AND
SUBSIDIARY STATEMENT OF PETITIONER**

Pursuant to Supreme Court Rules 14.1(b) and 29.1, the parties to the proceedings below are:

a. The petitioner, WESLO, INC. of Logan, Utah, is a defendant below. The parent of WESLO, INC. is Weider Health & Fitness, Inc. of Los Angeles, California. WESLO, INC. does not have any non-wholly owned subsidiaries.

b. The respondents, DIVERSIFIED PRODUCTS CORP. of Opelika, Alabama and BROWN FITZPATRICK LLOYD PATENT LTD. of the United Kingdom are plaintiffs below.*

c. Other respondents include the remaining active defendants in the case below which was consolidated by the Judicial Panel on Multidistrict Litigation. The other defendants and respondents are: Rocket Industries, Inc.; Roadmaster Corporation; ** Columbia Manufacturing Co.; Walton Manufacturing Co.; and Ajay Enterprises Corporation. Ajay Enterprises Corporation is also a plaintiff below in a consolidated declaratory judgment suit against DIVERSIFIED PRODUCTS CORP. Roadmaster Corporation filed a Supplemental Brief in support of the Petition. Allegheny International Exercise Company is a party in the trial court but not a respondent here. It has not participated below pursuant to an Order of June 9, 1988 in the trial court staying this matter as to Allegheny because Allegheny had reportedly initiated Bankruptcy proceedings.***

* BROWN FITZPATRICK LLOYD PATENT LTD. was earlier incorrectly identified as BROWN, FITZPATRICK, LLOYD LTD.

** Roadmaster Corporation was earlier incorrectly identified as Roadmaster, Inc.

*** Allegheny International Exercise Company was earlier incorrectly identified as Allegheny Exercise Equipment Company. Also, it was incorrectly stated that Allegheny had been dismissed when it had only been stayed from further participation.

d. The following defendants below have been dismissed: Beacon Enterprises, Inc.; Billard Barbell Co.; and Saw Mill River Industries, Inc.

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IN THE
Supreme Court of the United States

OCTOBER TERM, 1990

No. 90-258

WESLO, INC.,
v. *Petitioner,*

DIVERSIFIED PRODUCTS CORP., and
BROWN FITZPATRICK LLOYD PATENT LTD., *et al.,*
Respondents.

**On Petition for a Writ of Certiorari to the
United States Court of Appeals
for the Federal Circuit**

REPLY BRIEF OF PETITIONER

In their Brief In Opposition (Br. Opp.), respondents assert in essence that the Court lacks jurisdiction of this petition (Br. Opp. 4-9), that the doctrines of res judicata and collateral estoppel do not apply to ITC patent determinations because the ITC lacks "jurisdiction" over patent questions (*Id.* at 9-12), that the decision below is consistent with all applicable authority (*Id.* at 12-23), and that the question presented lacks sufficient importance to justify this Court's attention (*Id.* at 26-28). These assertions lack merit.

**I. THE COURT HAS JURISDICTION UNDER 28
U.S.C. § 1254 AND THE "ALL WRITS ACT"**

Respondents assert that the Court lacks jurisdiction to address the preclusion question presented by the petition

because this case was never "in" the Federal Circuit.¹ That assertion is somewhat remarkable, due to the fact that the Federal Circuit published an opinion at 903 F.2d 822 rejecting petitioner's view that ITC patent determinations are entitled to preclusive effect. App. B, 3a-5a. It is hard to imagine how a court can write an opinion on a matter that is not before it.²

Prior decisions of this Court, moreover, demonstrate this case was "in" the Federal Circuit. In *Tidewater Oil Co. v. United States*, 409 U.S. 151, 152 (1972), Tidewater's motion to dismiss was denied and certified for appeal under 28 U.S.C. § 1292(b); but the appellate court refused to hear the appeal. Thus, *Tidewater* is procedurally identical to this case. WESLO's dispositive motion was denied and certified for appeal; but the appellate court refused to hear the appeal. However, in *Tidewater*, this Court granted certiorari apparently concluding the case was "in" the court of appeals even though that court had refused review. Therefore, jurisdiction is present here the same as in *Tidewater*.

Similarly, in *Nixon v. Fitzgerald*, 457 U.S. 731 (1982), this Court reviewed the trial court's rejection of an immunity claim, even though the court of appeals had dismissed the appeal for lack of jurisdiction. This Court concluded that the case "was 'in' the Court of Appeals under § 1254 and properly within our certiorari jurisdiction," emphasizing that "there can be no serious doubt

¹ 28 U.S.C. § 1254 provides that cases "in the courts of appeals" may be reviewed by writ of certiorari.

² Respondents inappropriately analogize the lower court's discretionary appellate review under 28 U.S.C. § 1292(b) to this Court's discretionary certiorari authority (Br. Opp. 5-6). However, it is doubtful that even respondents would seriously assert that unsuccessful certiorari petitions were never "in" this Court. It is similarly difficult to support the notion that unsuccessful petitions under § 1292(b) were never "in" the appropriate appellate court. An exercise of judicial discretion by the Federal Circuit clearly presupposes that the matter to which that discretion applies is before the Court exercising the discretion.

concerning our power to review . . . a decision to dismiss (an appeal) for lack of jurisdiction." 457 U.S. at 743 fn. 23. By direct analogy, there can be no serious doubt regarding this Court's power to review the Federal Circuit's refusal to hear the present case.³

Even if the Court's authority to review this matter under § 1254 were doubtful (which it is not), review would still be proper under the "All Writs" statute, 28 U.S.C. § 1651. This statute authorizes issuance of a writ of certiorari where the court of appeals has declined review. *House v. Mayo*, *supra*, 324 U.S. at 44; *In re 620 Church Street Bldg. Corp.*, 299 U.S. 24, 26 (1936).⁴ Use of the "All Writs" power is here uniquely appropriate because proper application of preclusion doctrine is of critical importance to the efficient operation of the federal judiciary.⁵ In addition, this case has had an adverse im-

³ The authority cited by respondents (Br. Opp. 4) supports jurisdiction here. In *United States v. Nixon*, 418 U.S. 682 (1974), a non-final trial court order that (under established doctrine) was not immediately appealable was appealed. Nevertheless, the Court took jurisdiction, finding the case to be "properly 'in' the court of appeals." 418 U.S. at 692. *Nixon*, therefore, supports jurisdiction here because it teaches that even appeals with a questionable basis before a court of appeals are nevertheless "in" that court. Similarly, in *Forsyth v. Hammond*, 166 U.S. 506 (1987), this Court wrote that its review powers are "not affected by the condition of the case as it exists in the court of appeal." 166 U.S. at 513.

Several of the cases cited by respondents are simply inapposite. *Smith v. Mitchell*, 454 U.S. 911 (1981), and *House v. Mayo*, 324 U.S. 42 (1944), for example, involved denial of certiorari petitions in habeas corpus cases for failure to obtain a certificate of probable cause required by 28 U.S.C. § 2253. Here, however, the statutorily required certificate under 28 U.S.C. § 1292(b) was in fact obtained from the trial court. *Gay v. Ruff*, 292 U.S. 25 (1933), also cited by respondents, involves review of a remand order in an action removed from state court that, on its facts, has no pertinence to the present case.

⁴ 28 U.S.C. § 337 was cited, which is today 28 U.S.C. § 1651.

⁵ Two other cases involving the same or similar issues have already arisen. *Budley Shearing Machine Mfg. Co. Inc. v. LaBounty*

pact on the General Agreement on Trade and Tariffs⁶ and already has sparked discussion at the bar and by commentators (Supp. Br., App. K & L.) Review now is not only appropriate, it is imperative.

Such review, furthermore, does not raise the specter of undue interference with appellate discretion, as asserted by respondents (Br. Opp. 5-9), because review here will not offend the policies animating 28 U.S.C. § 1292(b).⁷ Even though the courts of appeals may have broad discretion under § 1292(b), those courts of appeals *do not* have discretion to ignore and then publish an opinion contrary to controlling decisions of this Court. This Court has repeatedly insisted that judicially affirmed administrative decisions are entitled to preclusive effect. App. C, 10a; Pet. 11, fn. 11. Review here to require compliance with this Court's precedent will not intrude upon any proper discretion of the Federal Circuit.

II. ACCORDING ITC PATENT DETERMINATIONS PRECLUSIVE EFFECT DOES NOT INTRUDE UPON THE JURISDICTION OF THE DISTRICT COURTS

Respondents assert that judicially affirmed findings of patent invalidity made by the ITC are not entitled to

Mfg. Co., Civil C-C-86-295-M in the Western District of North Carolina (infringement) and *MAG Instrument Inc. v. J. Baxter Brinkman International Corp.*, Civil No. CA-3-86-427G in the Northern District of Texas (patent validity).

⁶ See, Supplemental Brief of Roadmaster Corporation, Appendix L, A17-18, fns. 4-6. Hereinafter, the Supplemental Brief will be referred to as "Supp. Br."

⁷ Indeed, immediate review is necessary to *further* the policies underlying § 1292(b). It is well established that § 1292(b) is designed to eliminate a "wasted, protracted trial if it could be determined that there might be no liability at a much earlier stage." *Katz v. Carte Blanche Corporation*, 496 F.2d 747, 754 (3d Cir. 1974). Here, immediate review may well avoid an expensive multidistrict proceeding and multiple trials.

preclusive effect because the ITC has no "jurisdiction" to make such findings. Br. Opp. 10-12. Such "jurisdiction" is lacking, they assert, because a contrary conclusion would conflict with the "exclusive" jurisdiction conferred on district courts under 28 U.S.C. § 1338. That is, the courts and the ITC supposedly have "mutually exclusive jurisdictional boundaries." Br. Opp. 18. These related assertions are wholly lacking in substance.

To begin with, it is *absolutely clear* that the ITC has jurisdiction to consider the validity of patents when such a question is raised before it. The Trade Reform Act of 1974 expressly authorized the ITC to hear "all legal and equitable defenses." 19 U.S.C. § 1337(c). The legislative history unambiguously reflects that the statute *requires* the ITC to "review the validity and enforceability of patents" when such an issue is raised by way of defense. S. Rep. No. 1298, 93d Cong., 2d Sess. 193, 196 (1974) *reprinted in* 1974 U.S. CODE CONG. & ADMIN. NEWS 7186, 7329. Thus, respondents' argument that the ITC lacks the power to determine patent validity is simply unfounded.

The ITC's power to determine patent validity, moreover, in no way conflicts with the jurisdiction of the district courts under 28 U.S.C. § 1338. Respondents' claim (Br. Opp. 18) that the "exclusive" jurisdiction⁸ conferred by § 1338 prevents *any* other tribunal from addressing questions of patent validity proves to be too much. To begin with, it ignores Congress' express intent to permit ITC adjudication of patent validity. Further, respondents' position disregards the numerous decisions from this and other courts which hold that—notwithstanding § 1338—state court rulings on patent validity are nevertheless entitled to preclusive effect. See cases cited in Petition at pages 14-15, notes 15 and 16. These cases cannot be dismissed (as respondents attempt to do)

⁸ Notably, 28 U.S.C. § 1338 does not confer exclusive jurisdiction but only "original" jurisdiction upon the district courts.

by asserting that preclusion was mandated by the full faith and credit statute. Br. Opp. 23. If, as respondents claim, § 1338 deprives *all* tribunals except district courts of jurisdiction over patent questions, state court patent decisions—no less than those of the ITC—would be denied preclusive effect because state court decisions rendered in violation of exclusive federal jurisdiction *are not entitled to full faith and credit*. *Kalb v. Feuerstein*, 308 U.S. 433 (1940). Accordingly, the fact that state court patent determinations are routinely accorded preclusive effect proves the absurdity of respondents' "mutually exclusive jurisdiction" argument. Br. Opp. at 18.⁹

The respondents' attempt to hermetically seal the district court's patent jurisdiction from any outside influence is simplistic and erroneous. Established law provides that when *any* tribunal—whether it be the ITC or a state court—decides a question of patent validity in a case otherwise properly before it, that determination is thereafter entitled to preclusive effect. E.g., *Becher v. Contoure Laboratories, Inc.*, 279 U.S. 388 (1929) (state court judgment given preclusive effect in a subsequent patent infringement action). Such a result, moreover, does not intrude upon the district court's jurisdiction under § 1338. That jurisdiction will be fully and effectively exercised when the district court examines the decision of the earlier tribunal to determine whether, under the principles announced by this Court, the deci-

⁹ The bankruptcy of respondents' jurisdictional reasoning is also reflected in such baldly erroneous statements as "there is *no case* in which preclusive effect was given to a decision of a tribunal that did not have *jurisdiction to adjudicate* the subject matter involved." Br. Opp. 23 (emphasis in original). That proposition, of course, is simply incorrect. "Today, it is safe to conclude that most federal court judgments are *res judicata* notwithstanding a lack of subject matter jurisdiction." 18 C. Wright, A. Miller & E. Cooper, *Federal Practice and Procedure* § 4428 at 272 (1981). *Accord, Durfee v. Duke*, 375 U.S. 106, 111-112 (1963) (lack of subject matter and personal jurisdiction does not defeat claim and issue preclusion).

sion is entitled to preclusive effect. *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313, 350 (1971) (preclusion may be denied if litigants in prior forum lacked a full, fair opportunity to litigate). Respondents' convoluted and circular jurisdictional thesis, therefore, is flatly erroneous.

III. THE DECISION BELOW CONFLICTS WITH CONTROLLING DECISIONS OF THIS COURT AND DEMONSTRATES A CONSISTENT REFUSAL TO APPLY SOUND PRINCIPLES OF STATUTORY CONSTRUCTION

Respondents valiantly argue that the decision below is in accord with this Court's precedent and that it is based on a consistent, unquestioned line of Federal Circuit authority. Br. Opp. 12-21. The first argument is disingenuous. The second merely reinforces the need for immediate review because it underscores the Federal Circuit's consistent failure to adhere to sound principles of statutory construction.

Respondents attempt to avoid application of this Court's decisions in *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, *supra*, and *United States v. Utah Construction & Mining Co.*, 384 U.S. 394 (1966), on the sole ground that the ITC was without "*jurisdiction . . . to finally adjudicate the issue before it.*" Br. Opp. 20 (emphasis in original). As shown above, however, the ITC does have jurisdiction to adjudicate questions of patent validity, and to accord such determinations preclusive effect in no way interferes with jurisdiction conferred on the district courts by 28 U.S.C. § 1338. As a result, the lower courts' refusal to give the ITC adjudication preclusive effect stands in direct conflict with this Court's holdings in *Blonder-Tongue* and *Utah Construction*. Pet. 8-9.

Any supposed "consistency" in the Federal Circuit's approach (Br. Opp. 12-20), furthermore, militates in favor of—not against—review. The concept which de-

nies ITC determinations of preclusive effect has been developed primarily in dicta.¹⁰ Moreover, that rule has *not* been derived from the plain language of the Trade Reform Act of 1974, but rather has been extracted from a single passage in the Act's legislative history. Pet. 17-21.¹¹ Indeed, Congress even considered—but did not enact—a specific provision limiting the preclusive effect of ITC determinations. Pet. 18 n.19. When Congress considered *but did not enact* a specific limitation on the preclusive effect of ITC determinations, the use of legislative history to impose such a limitation contrary to the plain terms of the Trade Reform Act is unwarranted and is contrary to the demonstrated intent of the legislative branch. *Pierce v. Underwood*, 487 U.S. 552, 566-568 (1988) (rejecting reliance on legislative history “because it is not an explanation of any language that” Congress drafted).

This Court has “not hesitated to apply *res judicata* to enforce repose” in administrative proceedings. *Utah Construction*, 384 U.S. at 422. The Federal Circuit ignores this policy and instead departs from sound principles of statutory construction to rely upon legislative history in derogation of plain statutory language and the rejection of proposed statutory language by Congress. The decision therefore demands the immediate attention of this Court.

¹⁰ As noted in the Petition (at 17 n.18), the Federal Circuit decisions on which the respondents rely (Br. Opp. 12-15) discuss the binding effect of ITC determinations only in dicta.

¹¹ Respondents' brief is illustrative. Although they invoke the plain language of the statute (Br. Opp. 3), nowhere in the body of their brief do respondents make any attempt to demonstrate how the language of 19 U.S.C. § 1337 limits the preclusive effect of ITC determinations. The reason for this “oversight” is obvious: the plain language of the Trade Reform Act *does not* set forth any restrictions on the preclusive effect of ITC findings. Pet. 17-19.

IV. PROPER APPLICATION OF CLAIM AND ISSUE PRECLUSION DOCTRINE IS OF GREAT IMPORTANCE TO THE ADMINISTRATION OF THE FEDERAL JUDICIARY

Respondents suggest that the question presented by this case lacks sufficient importance to merit review. Br. Opp. 26-28. This suggestion ignores not only recent commentary, but also the imperative importance of preclusion doctrine to the efficient administration of the federal judiciary.

The decision below has now been denounced by the Section of Patent, Trademark and Copyright Law of the American Bar Association. Supp. Br. 5 and App. K, A1-A12. A resolution favoring "application of the Doctrine of Collateral Estoppel by U.S. District Courts to prior final determinations of the International Trade Commission which are adverse to the Complainant" is under active discussion. Supp. Br. App. K, A2. A recent article in the Journal of the American Intellectual Property Law Association, moreover, criticized the decision below as "strange and anomalous." Supp. Br. App. L, A64.¹² The importance of this case, therefore, is highlighted by the fact that, after examination, the decision below has been found wanting by disinterested scholars. Supp. Br., App. K, L.

Of considerable more importance than the foregoing is the dramatic impact this case will have on the efficient operation of the federal judiciary. The published opinion of the Federal Circuit (App. B) will establish an exception to preclusion doctrine inconsistent with the longstanding decisions of this Court. *Blonder-Tongue, supra*; *Utah Construction, supra*. "The federal courts have tra-

¹² This comment was prompted by the authors' observation that, as a result of the decision below, "Federal Circuit decisions on ITC non-patent cases are binding on its sister circuit, while Federal Circuit decisions on ITC patent cases are not binding even on itself." Supp. Br. App. L, A64.

ditionally adhered to the related doctrines of res judicata and collateral estoppel." *Allen v. McCurry*, 449 U.S. 90, 94-95 (1980). Efforts to carve out exceptions to these doctrines have been consistently resisted by this Court. *Id.*; *Federated Dept. Stores, Inc. v. Moitie*, 452 U.S. 394, 401 (1981); *Heiser v. Woodruff*, 327 U.S. 726, 733 (1946). "The doctrine of res judicata serves vital public interests." *Federated Dept. Stores*, 452 U.S. at 401. There is simply "no principle of law or equity which sanctions the rejection by a federal court of the salutary principle of res judicata." *Heiser*, 327 U.S. at 733. The decision below, which rejects this "salutary principle," demands immediate review.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

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